El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Second Year Evaluation Report

June 2012 – June 2013

September 2013

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.

FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

SECOND YEAR EVALUATION REPORT
June 2012 - June 2013

Program Title:	**Fiscal Policy and Expenditure Management Program**
Sponsoring USAID office:	**USAID/El Salvador Economic Growth Office**
Contract Number:	**AID-519-11-000001**
	REQ-519-10-000011
Contractor:	**DAI**
Author:	**Eunice Heredia-Ortiz**
Date of Publication:	**September 2013**

TABLE OF CONTENTS

TABLES

FIGURES

BOXES

ACRONYMS

AECID	Spanish International Cooperation
CAPTAC-DR	Regional Center of Technical Assistance for Central America, Panama and Dominican Republic
CSMS	Case Selection Management System
DAI	Development Alternatives Incorporated
DFDMH	MOF Training and Human Talent Development Department
DGA	Customs General Directorate
DGCG	General Directorate for Government Accounting
DGEA	MOF General Administration Directorate
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DGT	Treasury General Directorate
DINAFI	National Directorate for Financial Administration
EU	European Union International Cooperation
FPEMP	Fiscal Policy & Expenditure Management Program
GDP	Gross Domestic Product
GIZ	German International Cooperation
GOES	Government of El Salvador
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
MOF	Ministry of Finance
OTA	Office of Technical Assistance of the United States Treasury
PFG	Partnership for Growth
PMP	Performance Monitoring Plan
SAFI	National Financial Management System
TCA	Taxpayer Current Account

TRS	Taxpayer Registration System
TSA	Treasury Single Account
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank

EXECUTIVE SUMMARY

This Second Year Evaluation Report reviews the achievements of the Government of El Salvador (GOES) through assistance from the United States Agency for International Development (USAID) funded Fiscal Policy & Expenditure Management Program (FPEMP). The Ministry of Finance (MOF) of El Salvador received assistance from multiple international donors (USAID, German International Cooperation (GIZ), European Union International Cooperation (EU), International Monetary Fund (IMF), Inter-American Development Bank (IDB), World Bank (WB), Spanish International Cooperation (AECID) and the U.S. Treasury), all of which execute projects outlined in the MOF's Institutional Strategic Plan 2012-2014, and all of which contribute to strengthening fiscal policy and public financial management aimed at advancing efficiency in tax collection and government spending, as well as improving accountability and fiscal transparency.

The achievements reviewed in this report have benefitted from FPEMP assistance, recognizing when applicable the joint work with other donor assistance programs. While some program outcomes cannot be easily measurable, we make an effort to show through this report the link between outputs leading to outcomes in a (qualitative and often quantitative) measurable way by providing important baseline data that will facilitate its quantification in future years.

This report shows that there have been significant achievements in the second year of implementation. FPEMP successfully achieved its milestones for the second year, departing from the foundations developed during the first year and implementing the recommendations formulated, thus advancing the achievement of a stronger public financial management system in El Salvador.

This Second Year Evaluation Report highlights achievements in three areas of work—public expenditure management, tax revenue mobilization and private sector outreach. Highlights include:

Objective 1: Improved Public Expenditure Management

- **Implementing a Treasury Single Account (TSA):** A diagnosis of treasury operations in the first year of the program highlighted important deficiencies in the cash management function leading to inefficient management of tight cash flows, including the existence of more than 1,600 bank accounts that need consolidation, as well as more than US $17.35 million in the cost of *Letes*—Letras del Tesoro Publico[1]—in 2012. Since November 2012, the Treasury General Directorate (DGT) is operating under the new real-time gross settlement system—a real time payment system—contributing to modernizing cash flow management and payment transactions of government obligations. The vendor payment transaction time has been reduced from an average of 10 days to approximately 2-3 hours. As of May 2013, three institutions are already operating under the TSA system, including: (1) MOF; (2) the Civil Service Court; and (3) the National Judiciary Council. An additional 20 institutions are expected to join the system by the end of 2013.

[1] *Letes* are treasury bills—certificates or short-term debt securities—issued by the government who bears the obligation to pay its face value at maturity date or in advance if the carrier agrees.

- **Adopting International Public Sector Accounting Standards (IPSAS):** IPSAS aims to improve the quality of general purpose financial reporting by public sector entities, leading to better informed assessments of the resource allocation decisions made by the government, thereby increasing transparency and accountability. FPEMP's government accounting experts worked with the General Directorate for Government Accounting (DGCG) on preparing the adoption strategy—undertaking a detailed gap analysis to identify key accounting and reporting issues, assessment of the chart of accounts, documenting accounting norms and policies and the strategy to develop accounting manuals, and developing a detailed work plan to manage the full IPSAS conversion. IPSAS conversion is expected to be fully achieved by 2015.
- **Modernizing the National Financial Management System (SAFI) II:** With FPEMP assistance, the GOES achieved the development of the conceptual model for the new budget and financial management system—presenting an integral platform for the modernization of the entire budget process, and strengthening the institutional capacity of the agencies involved for implementing a results-based budgeting system. The new SAFI II brings together various functions including: budgeting formulation, treasury, public investment, budget execution and accountability, procurement, human resources, asset management. FPEMP assisted in the second year in the design of the SAFI II's budget formulation modules.
- **Advancing the implementation of a multi-year, results-based budgeting system:** The goal is for the GOES to establish the foundations that will enable the formulation of the 2015 budget based on results. The budget modernization project is based on building four main pillars, including implementing a programmatic budget that focuses on results; implementing of a multi-year institutional and budget framework; developing a system for monitoring and evaluation of budget performance; and enriching (human and institutional) capacities within the public sector. USAID and the GIZ are assisting in building the elements required for the successful implementation of such system. With FPEMP's assistance in the second year, the Budget General Directorate (DGP) now has a detailed plan for an optimal functional and organizational structure—one that supports the attainment of results and places special emphasis on monitoring and evaluation, a new key role for the DGP. FPEMP will support the implementation of programmatic budget in three sectors to be defined by the MOF.

Objective 2: Tax Revenue Mobilization

- **Mobilizing greater tax revenues:** Tax (net) revenue collections augmented by 20 percent from 2010-12. Relative to Gross Domestic Product (GDP), tax revenue increased from 13.5 percent in 2010 to 14.4 percent by the end of 2012, that is almost a one percentage point increase relative to GDP since the beginning of the program.
- **Expanding the tax base:** The number of active taxpayers complying with the Value Added Tax (VAT) increased by 3.6 percent, from 154,681 taxpayers in May 2012 to 60,202 taxpayers in May 2013. The increase in VAT taxpayers by 5,521 is attributed to the numerous campaigns, fiscal education programs, and dissemination initiatives of 2011 fiscal reform, all of which FPEMP has supported.
- **Improving collection of delinquent taxes:** Following the success of the Call Center at the General Directorate for Internal Revenue (DGII)—created with USAID's assistance through the predecessor Tax Policy Administration Reform program—FPEMP supported the DGT to set up a Collections Call Center to tackle tax arrears. Established in August 2012 and after

only 9 months of operations, the Treasury Call Center had helped mobilize an additional $3.4 million from tax arrears and income tax resolutions, compared to the previous year.

- **Improving the Large Taxpayers' Office:** Refocused the scope of the large taxpayers' office from 1,500 to the largest 639 taxpayers. FPEMP assistance included establishing a renewed, one-stop-shop for large taxpayers which brings together the control, collections and taxpayer service functions, thus integrating the front office transaction desks, back office transaction desks (for more complex issues), as well as a DGT collection stand. Additionally, FPEMP assisted with the implementation of the large taxpayer office's auditors' area. This area houses 88 auditors' work stations, supporting greater revenue mobilization through audit.
- **Lowering compliance costs of small and medium taxpayers:** FPEMP supports improvements in tax compliance for large, medium and small taxpayers through the Case Selection Management System (CSMS), but additional support is granted to improve taxpayer services for small and medium taxpayers. The self-service kiosk system is an initiative providing instant services for different processes including: tax account inquiry, payment status for VAT, requests for tax transcript statements or solvency statement, information on the tax calendar, and other taxpayer services. Services available at the kiosks help taxpayers avoid long lines at the DGII thus reducing compliance costs for both taxpayers and the tax administration.
- **Updating the Taxpayer Registry System (TRS) and Taxpayer Current Account (TCA):** The TCA of the Salvadoran tax administration suffers many deficiencies, needing to be cleaned, updated and upgraded in the tax administration information system. Additionally, there are more than 4.7 million taxpayers registered in the TRS but less than half are active taxpayers. With FPEMP assistance, as of June 2013, the TCA initiative completed the cleansing of 11,600 taxpayer records, 54 percent of the total records that need verification. Similarly, the TRS initiative completed the cleansing of 3,300 taxpayer records, nearly 28 percent of the total number of records to be verified.
- **Rigorous and Fair Audits:** A centerpiece of USAID's assistance to the DGII through the predecessor Tax Policy Administration Reform program was the development of an automated, risk-based CSMS. The CSMS I became fully operational in January 2010 reducing tax officials' discretion in the audit selection process and improved transparency and efficiency in case management. FPEMP is providing continuity by supporting the upgrading to a new CSMS II. The CSMS II integrates customs information with tax revenue, to improve the risk methodology, enabling better and more productive audits. Additionally, the CSMS II expands beyond the audit and control areas providing case management capabilities to two new units, the Fiscal Compliance and the VAT refunds units. The end result of a complete CSMS II is to expand case management capabilities through all stages of the audit process, including taxpayer hearings, administrative appeals and judicial appeals. The newly launched Fiscal Compliance Module of the new CSMS II contributed to mobilizing $1.2 million in additional tax revenue in 2013. The CSMS II platform overall supports more than $3,500 million in tax revenue collections annually.

Objective 3: Private Sector Outreach

- **Tax Awareness program for Youth:** Launched in March 2013, the EXPRESATE center, or to "express yourself," is an initiative that teaches future taxpayers that tax compliance is a social responsibility that—in the long term—fosters economic growth and social development of the country. Targeting high school students between the ages of 15 and 20, the EXPRESATE center hosts hundreds of students monthly through its state-of-the-art facility featuring interactive walk-through exhibits, including a dramatic look at the country's stance without tax revenue in the "Hall of Evasion." This project—the first of its kind in Latin America, is a unique opportunity to foster fiscal responsibility among the young Salvadoran population. The FPEMP team supported the development of curricula and materials, installation and furnishing of the facilities, establishment of a computer lab, and purchase of modern video and audio equipment. The Ministry of Education is a partner to the MOF in the operations.

- **Promoting fiscal transparency:** Following the passage of the Access to Public information Law in December 2011, efforts to promote fiscal transparency in El Salvador are underway. The GOES, through the President's Transparency Division, and the MOF, are committed to demonstrating greater fiscal transparency in the management of public resources. Despite El Salvador's improvement in the Open Budget Index score from 28 in 2006 to 43 in 2012—categorized by the International Budget Partnership as one of the greatest improvers during this period—budget information is still limited.[2] FPEMP's assistance has focused on revamping the MOF's fiscal transparency portal to provide up-to-date, real time budget information. FPEMP has assisted with developing four data models uploading strategy including: Expenditures, Revenue, Public Investment, and Public Debt, which will expand coverage and functionality of information available through the Fiscal Transparency Portal.
- **Building a stronger administration through improved human resource utilization:** The FPEMP program supports the MOF's training department, and the public financial management reforms underway, through a program aimed at improving human resource utilization. The goal is to improve the operational efficiency and productivity of professional staff, strengthening their technical capacities, outlining a clear professional career path, improving employee's performance evaluation, and providing capacity building and training for professional development. The process follows the Competency Based Methodology for Human Resource Management. This methodology is used to integrate all human resources functions with the role of creating a central basis for recruitment and selection, placement of employees, training and development of employees, performance management, career management, promotions, and remuneration. Given the anticipated changes in the work performed by the MOF according to the modernization process roadmap, FPEMP also supports a change management strategy—to facilitate acceptance and adoption of the upcoming changes, leading to improved competencies.
- **Transforming the MOF Training and Human Talent Development Department (DFDMH) into a Center of Excellence:** FPEMP supports activities for transforming the DFDMH, into a Center of Excellence. The DFDMH is an important vehicle for implementing all training related to the curricula development under the new Human Resource System. FPEMP focused in the second year on delivering training on curricula development, thus facilitating the implementation of the new MOF's Human Resources System.

This Second Year Evaluation Report is supplemented with an annex presenting a result's matrix that is meant to document the delivery of project outputs including technical reports, trainings,

[2] Improving the OBI score would require the GOES' publishing pre-budget statements, a mid-year budget review, and allowing public access to audit reports. Open Budget Index report 2013.

study tours, and outreach events. While this matrix might not be complete since it does not include specific information about installation of Information Technology (IT) systems or purchases of equipment, for instance, it should provide the reader with much information of program activities linking these to FPEMP’s expected results/outcomes.

Prospects for the remaining years of the FPEMP program include challenges in the electoral cycle. El Salvador faces a long electoral period ahead with presidential elections in early 2014 and congressional elections one year later, which may lessen opportunities for corrective fiscal policies. Consequently, the overall fiscal deficit will likely remain throughout the electoral period. The challenge for USAID’s FPEMP and other donors is to keep the GOES commitment firm and on track to implement the public financial management reforms underway. This includes among other, fully adopting IPSAS, implementing a TSA, modernizing the public SAFI II, and achieving a results-based budget by 2015.

INTRODUCTION

Background and Purpose

This report reviews the second year of the USAID-funded FPEMP, reviewing activities and key program results, identifying factors that facilitated or impeded achievement of results, and recommending options for accelerating or enhancing program results and impact in the current and future years. The report also serves as reference point for most of the various forms of assistance the FPEMP has rendered over the first and second year of operations.

FPEMP formally began on June 10, 2011, when USAID and Development Alternatives Incorporated (DAI) signed the contract. The program is for four years with an optional fifth year. FPEMP's four-year period concludes on June 9, 2015.

Implemented by DAI, FPEMP contributes to achieving the objectives of El Salvador's Five Year Anti-Crisis Plan and those of the MOF: namely, to improve the efficiency of public expenditure management, improve voluntary fiscal compliance, and improve taxpayer/client services to accelerate economic growth while preserving stability. In this context, FPEMP supports the MOF to transform the GOES into a high-performing, result-driven administration that taxes citizens fairly, spends money wisely, and promotes greater social inclusion, thus improving the lives of all Salvadorans.

Structure of the report

This introductory chapter includes a discussion on the background, purpose and methodology used to prepare and review the report. The next chapter provides an overview on the program's goal and recent economic and fiscal developments in El Salvador. Next are three separate chapters, one for each program objective. The final chapter provides findings and recommendations for next steps.

Methodology

This evaluation report is the outcome of detailed review of documents, technical studies, data and program progress reports as well as consultation and interviews with many persons engaged with the FPEMP, including USAID/El Salvador, program team members, and Salvadoran counterparts from the MOF. All major counterparts who have collaborated with and benefited from FPEMP assistance in the second year—including several individuals and units of the MOF—were interviewed for the purpose of this evaluation. From the DGII: General Directorate, Large Taxpayers Office, Strategic Planning Unit, Tax Analysis Unit, Tax Obligations Control Division, Case Selection Unit, IT Unit, and Taxpayer Registry and Taxpayer Assistance Division. From other Directorates of the MOF: DGT, DGCG, DGP, MOF General Administration Directorate (DGEA), and National Directorate for Financial Administration (DINAFI).[3]

This report is based explicitly on the Annex 1 Results Matrix at the end of the report. This annex was developed to reflect the program's work plan, quarterly FPEMP Progress Reports, the Performance Monitoring Plan (PMP), and other program generated information. This report is based on the program's objectives, expected results, achievements, and work product or

[3] For a complete list of persons interviewed and consulted, please see Annex 2.

deliverables. The program outputs reported in Annex 1 are limited only to those that have had immediate impact on helping counterparts to achieve the improvements included here.

Throughout this report, accomplishments are supported with quantitative indicators wherever possible, but to ensure broad capturing of achievements, we also include qualitative information. This includes quotes from counterparts, reports in newspapers, and/or policy statements from the government.

USAID Strategic Objective and FPEMP Goal

El Salvador and the United States have embarked on a Partnership for Growth (PFG) to mobilize resources of both governments to remove obstacles and identify opportunities for broad-based economic growth in El Salvador. The PFG is a bilateral collaboration based on a focused and deliberate strategy to generate the greatest possible impact of joint development efforts, as detailed in its Joint Country Action Plan 2011-2015. El Salvador is one of only four countries worldwide, and the only one in Latin America, with which the United States is developing this partnership.

One of PFG's main objectives is to engage governments, the private sector and civil society with a broad range of tools to unlock new sources of investment, including domestic resources and foreign direct investment.[4] FPEMP has been designed to support the achievement of USAID's objectives through the PFG initiative, following Goal 4 (from constraint 2): Raise (net) tax revenues to 16 percent of GDP by 2015 and use public resources efficiently and transparently. Likewise, FPEMP's goal is to "create a stable macroeconomic environment that fosters inclusive, broad-based economic growth through enhanced transparency, accountability and more efficient use of public resources." The program goal is expected to be achieved, in part, by reaching the three program objectives discussed next. To simplify this goal, the next chapter is devoted to analyzing the goal of achieving a "Stable Macroeconomic Environment."

FPEMP has three explicit objectives comprised in three project components. These objectives are as follows:

Objective 1: Enhanced public expenditure management (through improved efficiency in the use of resources and stronger public financial management)

Objective 2: Improved revenue mobilization (through sound tax policy and better revenue administration)

Objective 3: Strengthened private sector engagement (through greater outreach and enriched communication mechanisms)

The three components work areas are:

Component 1: Public expenditure management

Component 2: Tax revenue mobilization

Component 3: Private sector outreach

Each of the components has a team that works with a defined annual work plan, with dedicated staff embedded within counterparts' facilities. The program's cross-cutting team, including

[4] Information available from the U.S. Department of State website, Partnership for Growth Factsheet available online at http://www.state.gov/r/pa/prs/ps/2011/11/177887.htm

program management and administration, outreach, IT, capacity building support through Georgia State University partners, helps ensure that FPEMP's component teams have the tools and support necessary to meet the program's objectives and expected results.

Expected Results, Achievements and Delivered Outputs

The expected results presented in this report follow the expected results from FPEMP's work plan. These are results anticipated to arise from counterpart's achievements which directly support—or indicate at least partial accomplishments of—program objectives. It is obviously not expected that the program achieves complete fulfillment of its objectives and results, however, by evaluating achievements and delivered outputs, it is possible to ensure that FPEMP is on track in progressing towards achieving its objectives and expected results.

All achievements mentioned in this report are attributed to the counterpart agencies in the MOF and the GOES. Achievements are changes in behavior or capacity of counterparts, improvements to laws or regulations or processes that have a direct impact on results. These achievements are not claimed as FPEMP's output, but they support program objectives and results, and are promoted by FPEMP's support and resources. Additionally, not all of FPEMP's counterparts' achievements might be documented in this report. Instead, the report focuses on achievements that have a direct relationship to both the program's objectives and results.

USAID-funded FPEMP provides a variety of outputs including: technical assistance, human and institutional capacity building, IT and other equipment, systems, advisory assistance, outreach mechanisms, technical reports, and advocacy that altogether help support counterparts' achievements and improvements that lead to expected results.

International Donor Assistance and Coordination

The GOES is advancing its fiscal reform agenda with support from multiple international agencies. The DINAFI, in coordination with other units of the MOF, leads the efforts of international assistance coordination from:

- USAID
- GIZ
- EU
- IMF
- IDB
- WB
- AECID
- Office of Technical Assistance of the United States Treasury (OTA)

GOAL: A STABLE MACROECONOMIC ENVIRONMENT[5]

This chapter reviews recent economic and macro-fiscal trends in El Salvador over the past few years. This section reviews recent developments and the economic outlook, presenting selected economic and fiscal indicators providing additional context for this report.

FPEMP's goal is to "create a stable macroeconomic environment that fosters inclusive, broad-based economic growth through enhanced transparency, accountability and more efficient use of public resources." The GOES has been committed to policies that promote a stable macroeconomic environment, striving to maintain prudent fiscal policy to lower the public debt-to-GDP ratio—currently 54.25 percent of GDP at end-2012—while protecting social spending. The GOES—with donor assistance—is on a path to improving revenue mobilization, enhancing efficiency in public spending while improving public financial management and fiscal transparency.

Although El Salvador enjoys low inflation and a resilient financial system, output growth is weak, and vulnerabilities from the fiscal deficit and debt are high. USAID and other donors are supporting the GOES on institutionalizing medium term strategies—through multi-year fiscal and expenditure frameworks—to ensure fiscal and debt sustainability to bolster the economy's resilience and growth potential.

El Salvador faces a long electoral period ahead with presidential elections in early 2014 and congressional elections one year later, which may lessen opportunities for corrective fiscal policies. Consequently, the overall fiscal deficit—currently near 4 percent of GDP—will likely remain throughout the electoral period. The challenge for USAID's FPEMP and other donors is to keep the GOES commitment firm and on track to implement the public financial management reforms underway. This includes among other, fully adopting IPSAS, implementing a TSA, modernizing the SAFI, and achieving a results-based budget by 2015.

Ultimately, the GOES is expected to improve macroeconomic stability through tax revenue mobilization and improving public spending efficiency, thus gradually reducing the fiscal deficit and the public debt ratio. The reform is expected to create fiscal buffers, creating fiscal space to support priority infrastructure and social spending.

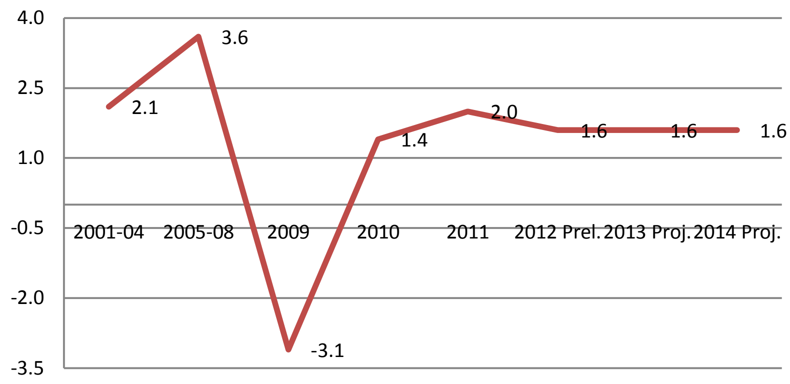
Recent Economic Trends

Despite flourishing economic growth experienced during the early 2000s, El Salvador has not been able to achieve the pre global financial crisis levels of growth. The average real growth has remained at 1.6 percent on average 2010-12 (see figure 1). The anticipated growth in 2012 estimated at 2.5 did not materialize, as preliminary figures show a 1.6 percent real growth, which is expected to remain through 2013. The sluggish growth in 2012 was greatly affected by negative growth in the agriculture sector due to climate shocks and tropical storms.

[5] This chapter brings together economic outlook reports presented by the IMF mission report, Article IV (May 2013), Ministry of Finance data and analysis, as well as FUSADES's economic outlook report (August 22, 2013).

Additionally, El Salvador's average economic growth at 1.6 percent annually is lower than its neighbors. Guatemala and Honduras grew at 3.6 and 3.8 percent, respectively, while Costa Rica and Nicaragua's growth reached 4.1 and 4.6 percent, respectively. The difference lies in which neighboring countries were able to recover quickly from the global financial crisis, while Guatemala never stopped growing.

Figure 1. Real GDP Growth



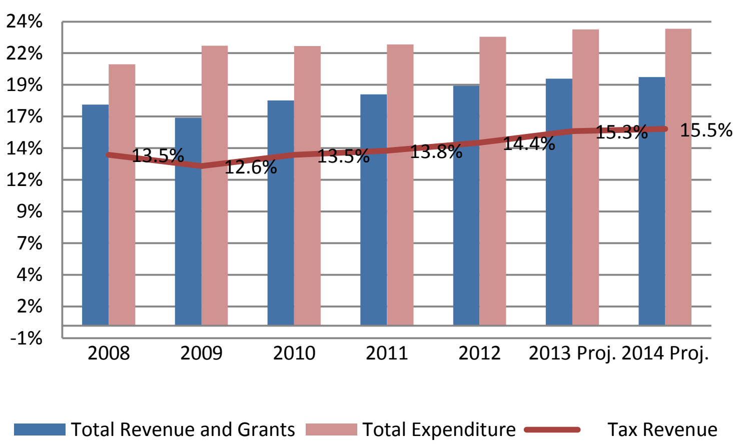
The next years are critical for El Salvador to reach higher economic growth to rates that are at least comparable to its neighbors—on average 4 percent annually. This will require the GOES to not only seek improvements in its fiscal stance, but also improving the investment climate, lowering crime and violence, as well as reaching sustainable social investment.

Fiscal Trends

Despite the undergoing reforms in the fiscal realm, El Salvador still faces fiscal consolidation challenges. The overall fiscal deficit in 2012 remained close to 4 percent of GDP, broadly the same level as in 2010-11. While the fiscal deficit without pension is equivalent to 1.6 percent of GDP, including pension payments expands the deficit to 3.4 percent of GDP, having a great impact of the government finances.

Tax revenue in 2010 and 2011 presented an increasing trend—the tax-to-GDP ratio in 2011 and 2012 surpassed that of levels before the global financial crisis. Despite tax reforms implemented in December 2009 and again December 2011 and stricter control over current expenditures, these were not adequate to reach any reductions in the fiscal deficit. The increasing trend in tax revenue collections is expected to continue as reforms in tax administration continue at the DGII.

Figure 2. Revenues and Expenditures (as % of GDP)



El Salvador did not reach the goal established by the IMF's *Stand-by* Agreement of 2.5 percent of GDP by the end of 2012. Efforts to lower the fiscal deficit need to come from an integral view of public finances which also include adjustments to government spending. As shown in figure 3, stricter controls have maintained a relatively steady share of wages and salaries from total expenditures. Pension payments, however, continue to place a burden on the public finances, while the government's stock of public sector debt continued to grow, reaching 54.25 percent of GDP at the end of 2012. There is an urgent need to improve the efficiency of government spending, focusing on better targeting of subsidies, containing the wage bill, and enhancing capital investments.

Figure 3. Composition of Government Spending

Prospects

Despite the economic and fiscal challenges that El Salvador is facing, prospects for El Salvador in the medium term are positive, shall the GOES continue to be committed to achieving its goals and objectives—as laid out in the Five-Year Plan, the ongoing commitments with the PFG initiative, and the Reform Agenda supported by the various donors currently assisting in different areas of fiscal policy and public financial management.

The FPEMP team is strongly committed to assisting the GOES achieve its goals and objectives through the provision of technical assistance in the three main areas as presented in the current report—enhanced public expenditure management, improved revenue mobilization, and strengthened private sector outreach.

OBJECTIVE 1: ENHANCED PUBLIC EXPENDITURE MANAGEMENT

The GOES has embarked on the modernization of its public financial management system contributing to greater effectiveness and efficiency of revenue and expenditure management, as well as improving accountability and transparency in the public sector. Consolidation of the public finances as well as fiscal sustainability requires strong government institutions equipped with the tools and capacity to control public resources, deliver services more effectively and manage for results.

Technical assistance to the GOES in this area has particularly concentrated on improving budget planning, such as adopting a multi-annual and result-oriented budget; treasury management, including instituting a TSA; accounting, particularly to ensure that it complies with IPSAS; improving fiscal transparency, publicly providing budget information that citizens need and want; and strengthening and upgrading the new SAFI II to conform to the new procedures and modules in the new budget system. Assistance in all of these areas in the next few years will result from coordinated efforts among 8 different donors, including USAID, GIZ, EU, IDB, OTA, WB, IMF, AECID, and 8 different departments at the MOF, led by the counterparts at DINAFI.

While the first year of the FPEMP program in this area experienced strong challenges related to donor coordination and developing a set of tasks that constitute the critical path to reform, it achieved important progress with setting strong foundations for the new budgeting and public financial management system—developing a proposal for the new budget and financial management system; contributing to the conceptual model of the new TSA; establishing a collections call center at the DGT; assessing the public investment and public debt system, the public assets system, and the government accounting system; and advancing human resource utilization at the MOF.[6]

During the second year of FPEMP assistance, efforts from the first year began to bear fruit. Assistance in the second year includes the development and approval of the conceptual model of the TSA; development of the conceptual model for the adoption of the IPSAS; development of a proposal for the Administrative-Functional Reform of the Treasury and Budget Department and support the design of the budget formulation module of the new SAFI II.

Critical milestones achieved during FPEMP's second year:

- Conceptual Model of the treasury subsystem endorsed by the DGT.
- Banking system integration with the Central Bank completed—a requirement for TSA implementation.
- Proposal for the administrative and functional modernization of the Budget Department endorsed by the DGP.
- IPSAS Adoption strategy endorsed by the DGCG.
- Approval obtained for the use of Costa Rican Accounting Policies Manual as reference for the development of the Salvadoran policies manual.

[6] See FPEMP's First Year Annual Evaluation Report, December 2012.

- Purchase of equipment completed: DINAFI (4 laptops); DGT (50 desktops); DGP (50 desktops); and DGCG (30 desktops and 5 laptops).

Key quantitative results achieved during FPEMP's second year of assistance:

- ✓ Three government institutions are already operating under a TSA: (1) Ministry of Finance; (2) the Civil Service Court; and (3) the National Judiciary Council.
- ✓ Government obligations' vendor payment transaction time has been reduced from 10 days to approximately 2-3 hours.
- ✓ Achieved 80 percent progress in designing the use cases for budget formulation module for the new SAFI II.

Advancing the Implementation of a TSA

The complete implementation of a TSA in El Salvador is essential to ensure the Government's optimal cash management function—collecting tax and non-tax revenue that finance timely payments of public goods and services, and managing cash balances to reduce borrowing costs. A diagnosis of treasury operations in the first year of the program highlighted important deficiencies in the cash management function leading to inefficient management of tight cash flows, including the presence of more than 1,600 bank accounts that need consolidation as well as more than US $17.35 million in the cost of *letes* in 2012.

FPEMP's first year of assistance to the Salvadoran DGT was key in providing critical diagnostics—identifying issues in the four main processes of treasury operations (i.e. revenue management, payment of obligations and spending controls, cash flow planning, account management and debt management, and trustee and investment management)—as well as laying out a set of recommendations and a specific work plan for assisting the DGT advance the implementation of the TSA.

During the first year of assistance, FPEMP also initiated the development of the conceptual framework of the treasury system—a model that includes best practices of a TSA and which is synchronized with the new SAFI II. The conceptual model presents clear and defined functions and processes of each of the components in treasury management. The document presents a framework and main tools and processes that govern the deployment of the treasury subsystem integrating it to the new version of the SAFI.

The approval of the conceptual model in the second year is the result of continuous work and consultation between the FPEMP team and the government counterparts. Input and feedback from government counterparts other than the DGT include the DGP, DINAFI, DGCG, DGII, as well as other donors supporting the DGT on other aspects of treasury operations including the regional Technical Assistance Center for Central America, Panama and Dominican Republic (CAPTAC-DR); the IMF, and the OTA. The conceptual model of the treasury subsystem is coupled with the proposal for the administrative and functional reform presented to the DGT in the second year.

Additionally, the conceptual model presents a detailed guide on processes, sub-processes and procedures; information and reporting system; and integration with other subsystems, including budgeting, accounting, tax collection, investment and public credit. The main processes presented in the conceptual model are the result of a redesign of the subsystem of treasury operations. These main processes include:

1. Financial Programming
2. Treasury Operations (Collections and Payments)
3. Account Management and reconciliation of transactions
4. Liability management and short-term investments
5. Custody of Funds and Securities
6. Collection management

Box 1. TSA implementation plan

- ✓ Defining a strategy for negotiating agreements with banks for services of account deposits.
- ✓ Functional and IT Development and testing of the payment management module under SAFI I.
- ✓ Issuance of policy guidelines and instructions
- ✓ Cleaning and consolidating of bank accounts—institutions and beneficiaries
- ✓ Implementation plan: sensitizing, capacity building, implementation, support and monitoring of IT applications

A study tour to the Treasury Department of Argentina complemented activities related to the development and implementation of the TSA, thus improving the common understanding of the issues, knowledge of best practices in the region and their systems, as well as the challenges that are common to countries undergoing the TSA implementation process. The participants learned about the TSA implementation process, the payments system, financial operations, organizational structure of the Treasury Office, financial programming, automated bank reconciliation process, and bank account management in the TSA system.

While the TSA implementation was scheduled to begin February 2013, there were some delays due to the challenges in negotiation with banks for their services.[7] Additionally, the proposed model implies the existence of subsidiary escrow accounts and a single bank account for payments with the Central Bank, known as the principal single account, which shall be exercised by the DGT. Some delays were also presented due to the need to develop a system for linking bank services with the Central Bank.

Study Tour to Argentina's Treasury Department

"The study tour to Argentina helped us to change our vision for implementing the TSA, to better understand the issues and to be prepared for what is ahead."

- Juan Murillo, Director, DGT

(June 2013)

Part of FPEMP's assistance in the second year includes support for safeguarding a clear TSA implementation plan under the new, approved conceptual model. Box 1 presents such implementation plan. As of May 2013, 90 percent of banks had already integrated their systems with the Central Bank, and with the DGT. By June 2013, three institutions were already operating under the TSA, including: (1) Ministry of Finance; (2) the Civil Service Court; and (3) the National Judiciary Council.

While the cleaning and consolidating of the nearly 1,600 bank accounts is scheduled to take place in the third year of FPEMP's implementation, the cost of *letes* is not expected to decrease until the TSA is fully implemented. However, a tangible result in the implementation of the TSA

[7] Contract negotiation with banks involved reducing the time accounts deposit transfer to the DGT (originally taking between 2 and 7 days) and lowering costs of collection services. Other negotiations involve any changes that achieve the lowering of borrowing costs and expediting the payment of obligations.

thus far is the reduction in the time it takes the GOES to pay its obligations, which has been reduced from an average of 10 days to less than 1 day—a payment initiated in the morning is already in the vendor's bank account within 2 hours. The DGT expects that this reduction in time will subsequently result in lower prices in the provision of goods and services.

Complementing technical assistance to the DGT, the FPEMP also carried out the purchase of 50 desktop computers during the second year of the program, thus improving the work conditions at the DGT.

The following months of the TSA implementation are critical for testing, monitoring and evaluating the system to ensure the good functioning of the TSA before expanding implementation to 24 entities of the central government, expected by November 2013. Per the MOF's request, FPEMP will support the design of the SAFI II treasury sub-system use cases. Next steps for FPEMP include working with the DGT in the development of the Scope of Work for this task.

Modernizing Public Expenditure and Financial Management in El Salvador

FPEMP's assistance in this area focuses on supporting the modernization of public expenditure management according to the Government's reform agenda, striving to achieve a budget process that is more effective, transparent, innovative, and responsive. FPEMP supports the MOF to attain a modernized budget process that is multi-year and based on results. Additionally, FPEMP supports the modernization of the GOES's public financial management information system by supporting the implementation of the new SAFI II.

FPEMP's assistance in this area contributes to the tasks stated in the donor coordination matrix. As such, FPEMP's support to the DGP, DINAFI, and other agencies involved complement activities that other donors such as the GIZ and the European Union support. In many instances, activities that other donors support, pave the way for activities that FPEMP is scheduled to perform and any delays in the completion of these preceding tasks affect FPEMP's support to the MOF.[8]

The first year of FPEMP's assistance in this area achieved a very important milestone—the development of a proposal for a new budget and financial management system. This model has become the foundation for the development of the new budget and financial management system—presenting an integral platform for the modernization of the entire budget process as well as the SAFI II while strengthening the institutional capacity of the agencies involved for implementing a results-based budgeting system.

The second year of assistance to the MOF followed the fundamental input presented in the conceptual model developed in the first year as well as the tasks presented in the action plan derived from such model. For FPEMP, this included the development of a model for the functional and administrative reform of the DGP, as well as support in the design of the SAFI II budget formulation model.

[8] The GIZ assists the GOES to develop the conceptual model of the budget modernization Project, the medium term expenditure framework, the programmatic Budget and the institutional expenditure framework methodologies and manuals.

The Budget Modernization Project

The budget modernization project in El Salvador follows strategic objectives which are: to increase the efficiency in the use of resources; to improve the efficiency in the allocation of public resources under principles of prioritization and the country's development goals; to transform the public budget into an instrument for improving fiscal transparency and accountability; and to improve the country's economic and fiscal resiliency to be able to confront economic and other external shocks.[9]

The budget modernization project is based on building four main pillars, including the implementation of a programmatic budget that focuses on results; implementation of a multi-year institutional and budget framework; development of a system for monitoring and evaluation of budget performance; and enrichment of capacities within the public sector. There are three critical factors that support the achievement of the pillars of the new budget system. Besides the need of political support for change, other critical factors include the organizational and functional strengthening of the DGP, as well as the information technology support through the new SAFI II.

FPEMP's assistance in the second year helped advance two of these critical factors for the success of the modernization process—the organizational strengthening of the DGP. FPEMP worked closely with the DGP to undertake a detailed evaluation of the functional and organizational structure and to derive options for the optimal organizational strengthening of the DGP—moving into a structure that supports the attainment of results. The model places special emphasis on the monitoring and evaluation role under the new structure—a new key role for DGP.

The Reform Plan of the DGP aims to align the strategic elements of the DGP (i.e. vision, mission, strategic objectives, with the new approach to programmatic budgeting), to redefine the roles and functions of the DGP Divisions based on the needs of the new model, to redefine the organization of the DGP under a process and value chain approach, and to improve the definition of job profiles while strengthening human resource capacities.

The proposal document for the functional and organizational reform of the DGP presents a model that complies with the above principles, proposing a new organizational structure and specific details on the functions of the new units that help meet the Department's mission. These new units include: a general directorate division, the budget programming division, the budget execution division, and the division for quality control and monitoring & evaluation.

The DGP endorsed the strategy for the functional and organizational reform of the DGP during the second year and the next step for FPEMP will be to develop an implementation plan. Additionally, an important follow up activity in the third year will be the design of the strategy for the implementation of programmatic budgeting in three key sectors that the DGP will assign to FPEMP. While this decision should have taken place in the second year of the program, delays in the DGP's decision-making process have postponed such activity for the third year of assistance.

Complementing the technical assistance to the DGP in the second year, the FPEMP program supported the purchase of 50 desktop computers for DGP officers.

[9] See "Plan de Reforma del Presupuesto Público de El Salvador"; page 5; DGP, GIZ; December (2012).

Supporting the design of the SAFI II budget formulation module

El Salvador's budget modernization reform implementation plan anticipates that the GOES will present the 2015 fiscal year's budget under a programmatic structure. In order to meet this goal, it is critical for the GOES to achieve significant progress in the implementation of the budget modernization project by introducing programmatic budgeting in the different line ministries, as well as to complete the design of the budget formulation model under the SAFI II. A target date for completion—meeting the budget cycle schedule and overcoming the challenges that the political schedule brings with the upcoming presidential elections—is set for June 2014.

As part of FPEMP's support to meet the critical schedule for the development of the new SAFI II, the FPEMP team provided assistance to the DINAFI in the second year in the design of the SAFI II's budget formulation and budget catalogue modules. This involves the design of use cases, which form the basis for the subsequent steps in the development of the module. By the end of June, the DINAFI's team had achieved approximately 80 percent progress in the design of the use cases. After all use cases have been design the DINAFI will be contracting IT developers financed through WB funds.

On the FPEMP's quality of assistance

"The FPEMP Director, Enrique Giraldo, has helped us advance in achieving our objectives. He understands our needs and provides quality technical assistance. We have achieved great collaboration with the FPEMP team".

- Dinora Cubias
Director, DINAFI El Salvador
June 2013

Additionally, during the second year, the program conducted a study tour to Argentina's Ministry of Finance to expose officers to the design and functioning of the Argentinian Integrated Financial Management Information System, which works in a web environment. DINAFI IT officials improved their understanding of the design strategy, the system's scope, the system's architecture, development methodologies, non-functional requirements, connection of the financial management system with other systems, and the implementation strategy.

Next steps in this area involve the completion of the use cases and support for the development of terms of references for contracting information technology services for the development of the SAFI II modules. FPEMP complemented its technical assistance efforts with the purchase of four laptops for IT officers at DINAFI and carried out the purchase of 50 desktop computers for the DGP.

Adopting IPSAS

Countries around the world adopt IPSAS to improve the quality of general purpose financial reporting by public sector entities, which in turn supports better informed assessments of the resource allocation decisions that the government undertakes. Adopting IPSAS in El Salvador is a key element of the public financial modernization process.

During the first year of assistance, FPEMP undertook a detailed review and evaluation of the public sector accounting system which led to the recommendation for adoption IPSAS—rather than harmonizing of IPSAS—as well as the implementation of a comprehensive capacity building plan. These recommendations served as the basis for subsequent activities in year two and beyond.

Once the DGCG endorsed the strategy for adopting IPSAS, a key task in this area for FPEMP during the second year involved the development of the IPSAS implementation strategy. FPEMP's government accounting experts worked with the DGCG in the definition of the IPSAS adoption strategy.

Following the IPSAS adoption strategy, FPEMP supported the DGCG in undertaking an assessment of the charts of accounts, developing a detailed definition of the adoption strategy, defining a centralized versus decentralized accounting role for the MOF, and developing a work plan for implementation during the following two years.

FPEMP also supported the DGCG in the completion of the public sector accounting framework—a structure for the general purpose financial reporting of public sector entities—which was submitted for approval. The framework serves as the basis for the development of the general catalogue of accounts and budgetary classifiers of public sector revenue and expenditure, which form the basis of the chart of accounts under the IPSAS. Additionally, during the second year, the program initiated the development of the accounting conceptual model subsystem to be integrated into the SAFI II—used as a road map in the IPSAS adoption process.

A key part in the adoption of IPSAS involves the development of the Accounting Polices Manual—integrating the accounting system's conceptual framework, accounting principles, and accounting policies for booking transactions and for the various elements of financial statements which serve as the basis on which accounts are prepared. Because the development of an Accounting Policies Manual can be a daunting task, the FPEMP team explored opportunities for facilitating the development of such. Therefore, the FPEMP consultant identified that the Costa Rican Government had already embarked on the effort to produce such comprehensive IPSAS policy manual completed in the first months of 2013, with great similarities to the Manual for the IPSAS in El Salvador. FPEMP presented a proposal to the DGCG for the use of the Costa Rican IPSAS Accounting Policies Manual as the basis to produce the Salvadoran IPSAS policy manual. If approved, the DGCG team and the FPEMP accounting consultant (who also developed the Costa Rican manual) would use the Costa Rican manual as the base document, making the necessary changes to adapt it to the context of El Salvador.

The FPEMP Chief of Party presented a request to the Minister of Finance of Costa Rica for approval on the use of the Costa Rican Accounting Policy Manual as a reference for the Salvadoran policy manual. By May 2013, FPEMP had already received the approval from the Costa Rican Minister of Finance and efforts are undergoing with the GOES on the drafting of an agreement between both governments for the use of the document. This strategy will save time and resources for the development of an important document as part of the IPSAS implementation plan.

Next steps for the adoption of IPSAS include the development of the adapted Accounting Policies Manual, using the Costa Rican policies manual as reference and following the IPSAS international regulation. This is a complex task that is expected to be ongoing until the end of FPEMP's assistance. Additionally, next tasks involve the development of the accounting conceptual model subsystem under IPSAS to be used as a road map for the IPSAS adoption and integration with the SAFI II accounting subsystem.

Capacity Building Activities

Complementing technical assistance to the DGCG and supporting the capacity building plan, the second year activities included the delivery of a comprehensive training course on IPSAS as well as a study tour to Peru to learn about the IPSAS adoption experience of the Peruvian Ministry of Finance. The IPSAS training exposed officials from the DGCG and DINAFI—a total of 33 officials—to the nature of IPSAS, options of the IPSAS adoption strategy, placing special emphasis to the understanding about why adoption of IPSAS is the first best option for El Salvador (instead of harmonization). The course also integrated aspects related to the adoption of IPSAS to improve government accountability, transparency and financial management.

During the study tour to the Peruvian Ministry of Finance, trainees were exposed to the Peruvian experience in the adoption of the IPSAS as well as the accounting system consolidation strategy, the accounting modernization strategy as a component for the transparency initiatives, the charts of accounts reform program, and the difficulties and challenges in implementing the IPSAS. Peru has been successful at adopting the IPSAS and has developed a comprehensive fiscal transparency policy, all of which serve as a model for El Salvador.

Additionally, the FPEMP program successfully delivered a training course on financial instruments under IPSAS. Thirty officials attended the training, including officials from the DGCG, DGT, General Directorate for Public Investment and Credit, General Directorate for Fiscal and Economic Policy (DGPEF), Hydro-electrical Commission (CEL), Social Fund For Housing (*Fondo Social para la Vivienda*), Solidarity Fund for Small Business Owners (*Fondo Solidario para la Familia Microempresaria*), Social Prevision Fund of the Armed Forces (*Fondo de Prevision Social de la Fuerzas Armadas*), National Fund for Popular Housing (*Fondo Social para la Vivienda Popular*), Central Bank, and Autonomous Executive Port Commission (CEPA). The attendants learned about simple financial securities, financial leasing, loans interest accounting record, financial risk management and exposure, and derivative financial securities. The training enriched the attendees' knowledge and understanding about the key technical issues under consideration in the IPSAS adoption process.

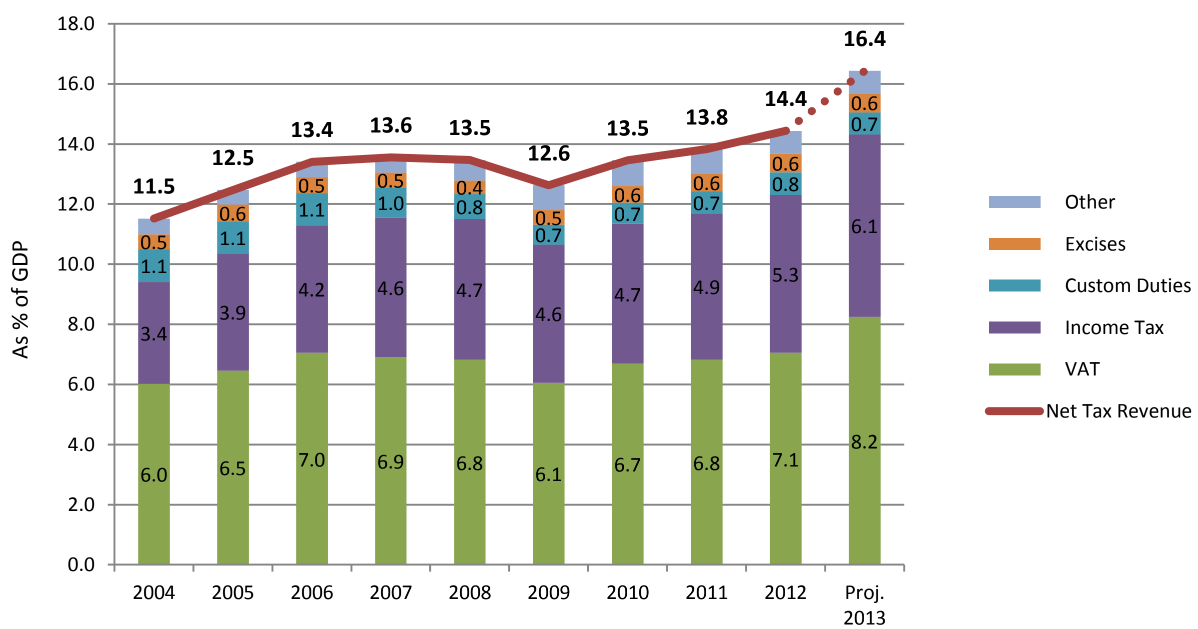
Complementing technical assistance and capacity building activities, the FPEMP program supported the purchase of 30 desktop computers and 5 laptops for the DGCG, thus replacing obsolete equipment and improving the working conditions and productivity of officers at the DGCG.

OBJECTIVE 2: IMPROVED REVENUE MOBILIZATION

El Salvador has achieved important progress in mobilizing greater (net) tax revenue from 11.5 percent of GDP in 2004 to 14.4 percent in 2012—nearly a three percentage point increase—managing to cope and recover tax revenue mobilization from the effects of the global financial crisis in 2008. Since 2010 tax revenue collections have experienced a steady 10 percent increase with respect to the previous year. While custom duties have experienced a declining trend (as is the case in most developing countries), excises and other taxes have remained steady, thus attributing improvements in revenue collections to the VAT and income taxes.

Despite great improvements in revenue mobilization, there is further need to mobilize greater tax revenue to create fiscal space for priority spending and public investment levels. FPEMP continues to support the DGII—as it did during the predecessor USAID-funded Tax Policy and Administration Reform program—creating a tax system that is more equitable, efficient and taxpayer-friendly. FPEMP's assistance in the second year focuses on improving taxpayer services, tax enforcement and key tax administration processes.

Figure 4. Tax (Net) Revenue Collections, El Salvador 2004-2013 (as % of GDP)



Source: General Directorate for Internal Revenue (DGII), El Salvador. Other include: other taxes and special contributions.

During the second year of assistance, the FPEMP supported the DGII to undertake important initiatives that improve tax administration, which are very promising in advancing towards achieving the GOES' target—17 percent tax to GDP by 2015. Such tasks involved the implementation of the Treasury's Collections Call Center for tackling tax arrears; refocusing the Large Taxpayers' Office and improving services; improving taxpayer services to medium and small taxpayers; cleaning and updating of the TCA; cleaning and updating of the TRS; and supporting rigorous and fair audits through the enhancement of the CSMS.

Critical milestones achieved during FPEMP's second year:

- Launching of a new, upgraded Large Taxpayer's Office, redefining its scope from 1,500 to 639 largest taxpayers.
- Launching of the TCA and TRS Cleaning Project.
- Launching of the three modules under the CSMS II.
- Creation of a single payments channel, linking banks information with the DGT through web services.
- Completion of procurement of 21 desktop computers for the TRS and TCA cleaning and 60 laptops for the large taxpayer office.
- Installed self-service kiosks in San Salvador allowing taxpayers to access their account and perform certain transactions real time.

Key quantitative results achieved during FPEMP's second year of assistance:

- Tax (net) revenue collections augmented by 20 percent from 2010-12. Relative to GDP, tax revenue increased from 13.5 percent in 2010 to 14.4 percent by the end of 2012, that is one percentage point increase relative to GDP since the beginning of the program.
- The Treasury's Collections Call Center mobilized over $2.5 million in additional tax revenue from tax arrears and income tax resolutions, in the first 9 months of operations.
- As of June 2013, the TCA Cleaning Project completed the cleansing of 11,600 records, 54 percent of the total records that need verification.
- As of June 2013, the TRS Cleaning Project completed the cleansing of 3,300 taxpayer records, nearly 28 percent of the total number of records to be verified.
- The Fiscal Compliance Module of the new CSMS II contributed to US$1.2 million in additional tax revenue.
- The CSMS II overall contributes to more than US$3,500 million in tax revenue collections annually.

Tackling Tax Arrears through the Treasury's Collections Call Center

During the first year of assistance, FPEMP worked jointly with the DGII and the DGT to identify issues and opportunities for mobilizing greater government revenue. A great challenge for the GOES has been the issue of uncollected tax arrears, which accumulates at a rate of $15-20 million per year. The total amount of tax arrears in 2012 was US $22 million.

Following the success of the Call Center at the DGII—created with USAID's assistance through the predecessor Tax Policy Administration Reform program—FPEMP supported the DGT to set up a Collections Call Center which became fully operational in August 2012. After only 9 months of operation—from August 2012 through May 2013—the DGT Call Center had collected over $2.5 million in additional tax revenue from tax arrears and income tax resolutions.

Three technicians led by a Collections Supervisor make up the DGT's Collections Call Center. During the first ten months of operation the Call Center initiated 18,384 calls and collected US$1,019,572 from tax arrears, surpassing the collections' goal for the year. Additionally, the Call Center collected approximately US$1.5 million from income tax resolutions for tax year 2011. In fact, during the amount collected by the DGT's Collections Call Center surpassed the amounts collected by the Attorney General's office in one year, which employs a staff of more than 45 attorneys.

Table 1. DGT's Collections Call Center Performance (August 2012 – May 2013)

DGT' s Call Center		Income Tax Resolutions 2011		
# of Calls	**Total Collections**	**# of Resolutions**	**Collectable Amounts (Taxes + interest)**	**Amount Collected**
18,384	$1,019,572.37	7,673	$28,800713.82	~ $1,5 million

Source: DGT

According to data on performance, the Call Center's calls reach up to 55 percent effectiveness—meaning that the collections officer is able to establish direct communication with the taxpayer or with a relative. This communication has led to: (1) Taxpayers' visit to the DGT in response to the initial call, allowing a formal notification of collections; and (2) Most visits result in payment in full or partial payment of amount owed.

Officers from the DGT express that the Call Center has not only improved effectiveness in collections, but also efficiency in the operations of the collections function. Previously, officers would collect tax due by physically visiting the taxpayers address on record. These visits meant that the officer had to leave the office and travel to the location, exposing themselves to risks of theft and crime in the country, becoming victims in many instances. The Collections Call Center has not only reduced/replaced the need to physically travel to the taxpayers' location in order to perform the collections function, but this has also reduced the costs of operation, the risk of travel, as well as the effectiveness of the DGT's collections function.

The Treasury's Collection Call Center: Officers at work

Besides the benefit of greater tax revenue mobilization, the DGT Collections Call Center provides the following benefits to the collections function:

- Simplification of collection of tax debt through a simpler, persuasive and persistent communication with the debtor. Through phone calls, collection officers are able to more easily locate the taxpayer at their home, workplace, cell phone, thus increasing the recovery of tax arrears.
- Through telephone contact with the taxpayer, the Call Center avoids physical visits, resulting in lower operating costs—such as vehicle use, fuel, per diem, stationery, printing, and use of courier delivery services.

- The telephone collections management allows for greater geographic coverage, especially locating taxpayers that live in inaccessible areas including those identified with high risk.
- The Call Center contributes to efforts to increase tax debt recovery, thus reducing amount of tax arrears and other debts to the State.

The DGT Collections Call Center expects to improve its rate of effectiveness as well as its collections rate in the coming months. The Call Center has requested the use of additional collection officers and a larger physical space for its operations. In a second phase, the DGT Collections Call Center pretends to expand its operations by managing delinquent accounts assigned to the Attorney General's Office in order to further improve revenue levels.

Strengthening the Large Taxpayers' Office

Improving large taxpayers' compliance in El Salvador is critical for improving tax revenue mobilization. FPEMP's assistance to the large taxpayer office does not only focus on building an effective audit program, but also on providing improved taxpayer services to facilitate filing and payment by the largest taxpayers—known to contribute to at least 65 percent of total tax revenues in El Salvador.

During the first year of assistance, FPEMP supported the MOF's strategy to redefine the parameters of clients by reducing the universe of large taxpayers from 1,500 to 639. FPEMP assistance included the establishment of a renewed, one-stop-shop for large taxpayers which brings together the control, collections and taxpayer service functions. This new large taxpayer's office was officially launched during the second year of the program and it integrates front office transaction desks, back office transaction desks (for more complex issues), as well as a DGT collection stand.

In support for further strengthening the large taxpayer office's audit program, FPEMP assisted with the implementation of the large taxpayer office auditors' area.[10] This area was fully adapted and furnished to house 88 auditors' work stations, cabinets and chairs. In addition, the new area comprises 42 waiting chairs, 19 supervisors' chairs, 6 secretarial chairs and an executive meeting table that holds up to 20 people.

Monitoring and Evaluation of Large Taxpayers Tax Collections

The new focus of the large taxpayer office allowed the creation of a quality control unit which monitors and evaluates data on tax collections. This unit performs analysis of on a quarterly basis on disaggregated data, including analysis by type of economic activity, and by type of taxpayers. The large taxpayer office objective is to perform comprehensive audits on all large taxpayers on a multi-year cycle, through focused audit management strategies. Thus far, the office has performed audits on one third of large taxpayers and expects to perform audits on the remaining two thirds in the next two years.

Beginning July 2012, the Large Taxpayer's Office supports the tax administration of the largest 630 taxpayers—of which 85 percent are importers. Additionally, it is known that 531 out of the 630 are legal entities and 108 are natural persons for tax purposes. Geographically, large

[10] For a discussion on the audit program through the Case Selection Management System (CSMS) see section on rigorous and fair audits.

taxpayers are concentrated in San Salvador and la Libertad (79%), Santa Ana (5%), San Miguel (4%) and remaining areas (12%).

Large taxpayers' economic activity is comprised of trade (49%), industry (22%) and financial services (10%). Other areas include, transport (5%), services (5%), and other (9%). While only 22 percent of large taxpayers are engaged in the industry sector, they contribute to 35 percent of large taxpayers' tax collections. The trade sector is the second largest contributor with 29 percent of tax collections, followed by financial services (13%), electricity, gas and water (9%), transport (6%), and others (6%).

An analysis of tax collections from large taxpayers reveals that 58 percent of revenue originates from domestic and import VAT collections, while income tax collections represent 35 percent of collections and 7 percent from excises.

When analyzing tax collections trends from FY2010 through FY2012, it is worth noting that the last three years have experienced sustained growth in tax collections, although the growth in collections in 2012 was more sluggish than growth in 2011 (see Table 2). Despite the reduction in growth year on year from 2011 to 2012, tax revenue collection was still modest and positive in 2012.

Table 2. Tax Revenue Collections from Large Taxpayers, El Salvador 2010 – 2012 (in Millions of US$)

Type of payment	2010	2011	growth	2012	growth
Excises	112,762	130,919	16%	135,573	4%
VAT (domestic)	367,713	393,345	7%	414,654	5%
VAT (imports)	608,858	729,140	20%	779,666	7%
Advance payments	156,872	181,635	16%	235,728	30%
Income tax	150,436	174,765	16%	205,863	18%
Tax withholdings	236,579	276,828	17%	284,768	3%
Total Collections	**1,633,221**	**1,886,633**	**16%**	**2,056,253**	**9%**

Source: Large Taxpayer's Office, DGII, El Salvador

Capacity building and training

The Transfer Pricing issue is identified as a major challenge for the Salvadoran large taxpayers' office. While USAID assistance in this area goes back to Tax Policy Administration Reform program assistance, FPEMP has continued supporting the Transfer Pricing initiative. The Transfer Pricing Unit has suffered a reduction in staff from 5 to 2, and lacks tools and methodologies that would allow them to implement transfer pricing audit appropriately.

The FPEMP supported the large taxpayer office providing one two-week training on transfer pricing audit techniques during the second year. Thirty (30) officials from the DGII Large Taxpayer Office attended the training. Interviews revealed that the large taxpayer office officials' knowledge of transfer pricing methodologies is present. However, the large taxpayer office lacks the appropriate databases of company financials that would permit transfer pricing analysis. It is worth noting that the Inter-American Center of Tax Administrations-CIAT is currently supporting the DGII's large taxpayer office to further enhance capacities on transfer pricing audit.

During the second year, FPEMP also supported capacity building activities for large taxpayer office officials conducting a study tour to the internal revenue of Ecuador to learn about income tax audit techniques. Attendees learned about the Ecuadorian experience in auditing communications and oil companies, as well as the implementation of transfer pricing control techniques.

Improving taxpayer services to medium and small taxpayers (self-service kiosk system)

While large taxpayers deserves attention and resources, there are significant benefits that the DGII can derive from making it easy and cost-effective for medium and small taxpayers to meet their tax obligations. While FPEMP supports improvements in tax compliance for large, medium and small taxpayers through the case selection management system, additional support is granted to improve taxpayer services.

The self-service kiosk system is one initiative that supports improvements in taxpayer services to medium and small taxpayers. In the second year of assistance, FPEMP in coordination with the MOF launched the self-service kiosk system. At the end of November 2012, the program and the MOF had implemented 1 kiosk in the MOF taxpayer assistance center. USAID has approved the purchase of another 6 kiosks, which will be procured in the third year, and will be implemented and distributed to taxpayer assistance centers across the country.

The self-service kiosk system provides instant services for different processes including: tax account inquiry, payment status for VAT, requests for tax transcript statements or solvency statement, information on the tax calendar, and a taxpayer service. Services available at the kiosks help taxpayers avoid long lines at the DGII thus reducing compliance costs for both taxpayers and the tax administration. At the current time, kiosks are a new alternative for small and medium taxpayers and further emphasis is needed to promote the utilization of such kiosks.

Another initiative for improving taxpayer services that began in the second year—as a request from the DGII—is the implementation of a queue management system. Such system is based on software that allows proper management of queues in taxpayer assistance centers. Development and implementation of such software is scheduled to take place in the third year of FPEMP's assistance.

Cleaning and updating the TCA

The well-functioning of the TCA contributes to the efficient tax administration enabling the DGII to record and monitor all taxpayer transactions, including debits and credits, calculation of consolidated balances by account type, over time. The TCA is the record that shows the taxpayer's liabilities and payments for all the taxes for which he/she is registered, and should provide a record of all of a taxpayers' payments in a single account. The TCA in El Salvador, however, suffered many functional deficiencies as well as weaknesses in the tax administration information system.

The first year of FPEMP's assistance in this area focused on undertaking a comprehensive assessment of the TCA—analyzing business processes and identifying redesign and adaptation initiatives that could help to tackle the TCA module. FPEMP supported the development of 11 use cases and applications, including: error tracking; re-defining the resolutions process; fast query about tax account status via web; taxpayer solvency requests; automated assignment of tax transcript requests; entry of internal applications; selectivity criteria for supervision of solvency requests; reprocessing of data; analysis of applications; and guarantees to the current account. These applications introduced new rules, processes and screens for the end user.

While the development of TCA applications is only one phase in the cleaning and updating of the TCA, cleaning of outdated information from the database becomes a major task. As part of this effort, the FPEMP team coordinated efforts with the MOF to solve a long time issue affecting the integrity of the TCA—the lack and delay in the transfer of information from the banks on processed tax returns and collected payments. An initial evaluation estimated that more than 39 percent of the data processed by the banks is not transferred to the DGII and as a result it causes data pollution to the TCA. This issue has taken place for more than a decade affecting the TCA's integrity and reliability.

The TCA feeds from information from banks, but also from information provided by exogenous units. While all of these are not integrated into the TCA, the need for cleaning and updating of the TCA will persist. As such, it is important for the DGII to explore ways to create an integrated TCA in order to avoid consistent cleaning of the TCA. Currently, the plan is to create a unit that will constantly monitor and update the TCA, reabsorbing some of the staff that was hired for the sole purpose of the cleaning of the TCA.

As the second year ends, FPEMP has followed up support to the DGII to correct external issues that pollute the system. As agreed with the MOF, a corrective measure involving the creation of a single payments channel is underway, linking banks information with the DGII through web services. Additionally, the transactions interface platform of delinquent taxpayers between the DGT and the DGII, as well as the elimination of the tax returns processing gap is expected to be finalized by the beginning of the third year of assistance.

The DGII's ultimate goal is to be able to grant the taxpayer his/her solvency statement immediately after payment has been received. Currently, this process takes an average of 4 hours and up to several days.

The TCA Cleaning Project

FPEMP, in coordination with the MOF, officially launched the TCA (and the TRS) Cleaning Project in February 2013. In attendance were the Vice Minister of Revenue, DGII Directors and staff, GIZ, and USAID. In order to facilitate the Cleaning task, FPEMP implemented a new area—including furnishings, cubicles, chairs, meeting tables—which houses a total of 20 interns which were specifically hired by the FPEMP to undertake the cleaning task. FPEMP jointly with the DGII chose consultant Ms. Sandra Urazan—who has assisted the DGII in various opportunities since 2005—to lead the TCA and TRS Cleaning Project.

The cleaning of the TCA can be an overwhelming task. While the FPEMP program supports the MOF to implement policies and procedures that can help prevent the polluting of the TCA—such as the web services link with the banks. There is another segment in the cleaning process that involves manually verifying that there are no outstanding issues in a taxpayers' account that prevent its consolidation. For instance, taxpayers' returns need to be recorded, and any transactions need to be

Box 2. TCA cleaning protocol

- ✓ Verify that taxpayer returns have been processed, and that all transactions have been recorded and consolidated into the taxpayers account (i.e. payments, withholdings, installments, debt cancellation, etc.).
- ✓ Verify the issuance of tax resolutions related to the account
- ✓ Generate an updated taxpayer account statement
- ✓ Send statement to the DGT to verify tax arrears

verified and consolidated into a single account—such as payments, withholdings, installments, cancellation of debt, tax resolutions, etc. Once this verification is completed, a taxpayer account statement can be generated, which is then forwarded to the DGT to verify any existing pending debts associated with the account. Currently, one person can validate an average of 20 taxpayer accounts through the manual cleaning process.

Launching of the TCA and TRS Cleaning Project at the DGII

Official launch ceremony (February 11, 2013); interns at work

The TCA cleaning team was assigned to process a total of 21,523 records. As of June 2013, the cleaning team had already processed 11,600 records, or 54 percent. Major challenges with the information system were cited as a major challenge to productivity rate in processing records. Interns reported frequent system problems that would cause the system to go down experiencing loss of work already done. This affected the progress in processing records. The FPEMP team expects that by September of 2013, all remaining records will be verified.

Follow- up to the TCA cleaning

The FPEMP team has been working closely with the MOF in order to protect the integrity of the TCA as well as to ensure the future pollution of the account. The FPEMP team proposed a list of several actions that would help prevent the future pollution of the TCA. The FPEMP will continue assisting the DGII for the implementation of strategies to help prevent subsequent problems with the TCA. These include:

1. Implementation of web services between the banks and the DGT
2. Implementation of a single payment channel
3. Implementation of DGT catalogues in the TCA transactions
4. Development of a transactions interphase of delinquent taxpayers between DGT and DGII
5. Standardization of the TCA cleaning protocols
6. Improvement of the tax returns data entry
7. Institutionalization of continuous TRS and TCA clean-up process.

While some of the above-listed recommendations have already been approved and are in place, others will require further discussions, approvals and implementation.

Cleaning and updating the Taxpayer Registry System (TRS)

As in the case of the TCA, the TRS is also a critical component of the tax administration system, and restoring and protecting its integrity is essential. There are approximately 4.7 million taxpayers registered in the TRS, but only 500 thousand are considered active taxpayers.

The cleaning the TRS is another major issue that the FPEMP is currently supporting the DGII to overcome. The FPEMP team undertook a detailed review of the causes for inconsistencies of the TRS and found the following to be the most critical ones in El Salvador:

1. The taxpayer does not update the information regularly.
2. Typing errors when entering information.
3. Data migration errors (system).
4. Lack of system validations.
5. Misinformation, false, nonexistent or incomplete information provided by the taxpayer.
6. High amount of homonymous records.
7. Lack of standardization of acronyms and abbreviations.
8. Lack of information sharing among the different directorates (i.e. DGII, DGT, Customs General Directorate-DGA)
9. Lack of information cross-checking with external institutions (i.e. RNPN, CNR, municipalities, social Security, among others)

Box 3. TRS cleaning protocol

- ✓ Contact the taxpayer and communicate the need to visit the DGII incentivized by the requirement to obtain a new TIN card.
- ✓ Taxpayers visit the TRS Cleaning office, update their information (including classification of economic activity), and obtains new TIN card.
- ✓ Taxpayer registry is now clean and up-to-date.

During the first year, the FPEMP team helped to tackle some of the issues related to the pollution of the TRS. Mostly, the FPEMP team supported the updating of numerous TRS modules, including applications for the categorization of taxpayers and risk levels; avoidance of duplicate entries; creation of controls; and TRS adjustments to capture new business rules. As in the case of the TCA cleaning, there are certain issues that can be solved through the upgrading of the TRS module. However, proper cleaning of the TRS requires manual cleaning which involves contacting the taxpayer and explaining the steps to follow for updating the information. As part of the cleaning initiative, taxpayers were requested to physically visit the DGII service center to update their information, which was coupled with the requirement to update their Taxpayer Identification Number cards.

Led by FPEMP consultant Ms. Sandra Urazan, a team of 10 interns was tasked to perform the cleaning of 11,800 records, which is a combination of large, medium and small taxpayers. Originally, the DGII performed an initial automated cleaning of records and assigned 2,720 records to the TRS Cleaning Project. Later on, an additional 8,440 records were assigned reaching more than 11 thousand registries that need updating. By June 2013, the FPEMP team had already processed 3,300 records. The FPEMP expects to process approximately 60 percent of the total number of records assigned by September 2013. Remaining records are expected to be processed by the new TRS Cleaning Office.

Suggestions for keeping the TRS clean and up-to-date

There are various causes for the obsolescence in the TRS; most of them are in great part due to human activity. These include errors in the fingering of the information, the process of migration to different platforms that have been deployed in the search for safer and better computer support, as well as the lack of provision of information by the account holder. In the case of El Salvador, the FPEMP team recommends that the DGII institutionalize a working group on a permanent basis, to be dedicated to debugging the deficiencies that arise in the information contained in the TRS, on a permanent basis.

The same is preached for the TCA. The TCA situation is aggravated in the case of El Salvador by the fact that the banks—who receive the filing of tax returns—do not transmit the respective tax declaration to the DGT real time, thus persistently generating obsolescence in the recording of payments and other data to be recorded in the TCA. This problem is exacerbated by the accumulation of tax declarations that are not properly digitized due to the DGII's staff deficits.

Following the international best practice, currently there are various countries in Latin America that are facing similar problems in terms of technological challenges as well as concerns on human resource availability. These countries are turning to the creation of working groups, who on a permanent basis are dedicated to sanitizing the deficiencies related to both the TRS and the TCA. These countries, among others, include Colombia, Costa Rica, Peru, Mexico, and Argentina.[11]

Creating an integrated tax and customs audit system (CSMS II)

In response to the various changes experienced in tax policy and tax administration in recent years, the FPEMP was tasked to upgrade the CSMS initiated under USAID-Tax Policy Administration Reform program assistance. After the passing of the fiscal reform of 2009 and 2011, which included new reporting responsibilities for large taxpayers regarding the purchase and sale of goods and services, the need arose to integrate this information in the tax audit and control algorithms. Additionally, the creation of the Vice Ministry of Revenues established a new strategy for an integrated tax and customs system that calls for a new case selection model.

The new upgraded CSMS is expected to integrate tax and customs information, taking advantage of this unified information to materialize an efficient control system that can help the GOES achieve its revenue targets. Additionally, the CSMS II will be configured to include further add-ons such as data flow and control tasks to execute the tax control activities. As such, the FPEMP team assists in upgrading the CSMS capabilities to expand beyond the audit and control areas under the CSMS's environment.

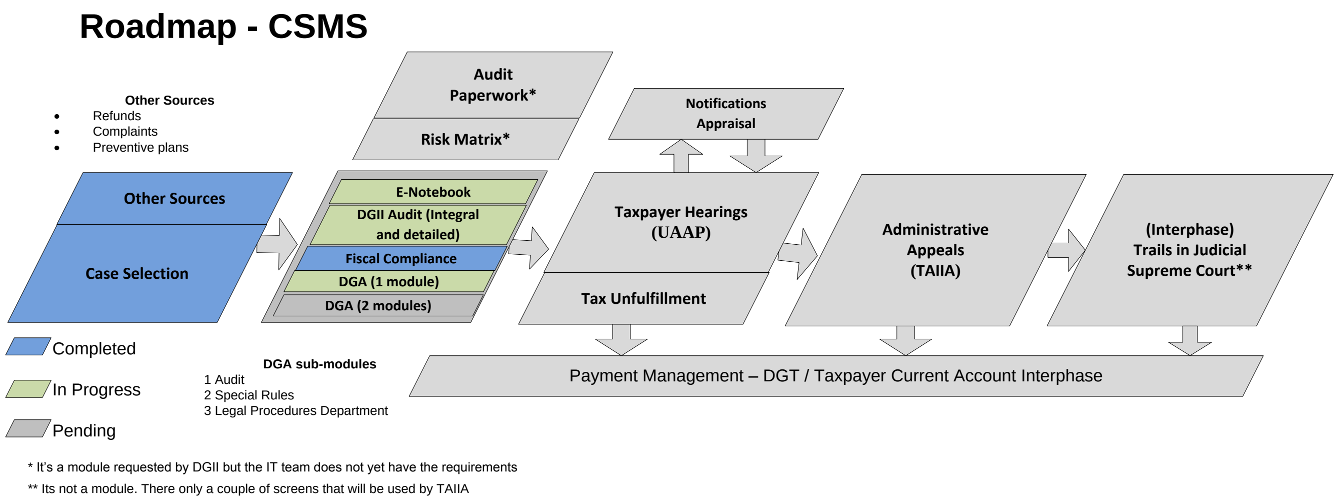
As shown in Figure 5, the CSMS II extends case management capabilities to various units including Fiscal Compliance, DGII Audit, and the DGA. To this date, The CSMS II has been upgraded through the case selection module, including other sources of information, as well as the fiscal compliance module. In progress for year 3 remain the development of the DGII Audit, E-notebook, and DGA modules. The remaining of FPEMP assistance will focus on extending the CSMS capabilities through all stages of the audit process, including taxpayer hearings, administrative appeals and judicial appeals.

The new CSMS II will provide a service architecture model that integrates the entire revenue system. The new system will allow the efficient management of files and investigations by eliminating the current overlapping control functions from the different areas, including Fiscal Compliance and VAT Refunds, thus integrating audit efforts into one efficient, coordinated task. Additionally, the system will integrate the post-clearance customs control function contributing to the goals of the new Vice Ministry of Revenues.

---

[11] See Fonseca, Francisco (2010). "Registros Tributarios: Depuración, Actualización y Utilización Registro de Contribuyentes." *Paper presented in the CIAT's General Assembly*. Montevideo Uruguay, April 2010.

Figure 5: The Roadmap to the CSMS II: Audit and Controls Flow Chain



Launching of the CSMS II' Fiscal Compliance Module

During the second year of assistance, the FPEMP team completed the development of three important modules of the CSMS II, the Selector, Management and Fiscal Compliance Modules. The Case Selector and Management Modules introduce changes to the case selection management, changes in case selection variables, business rules, cloning, execution, exporting and case transfers. The Fiscal Compliance Module introduces new control flows for contacting taxpayers when the system is showing inconsistent data.

The official launch of the Fiscal Compliance Module took place in May 2013. FPEMP, in coordination with the GIZ, officially launched the new fiscal compliance system. The GIZ provided furniture and desktops to officials that will use the system while FPEMP provided the software development assistance. Additionally, the FPEMP is supporting the DGII in the training of 70 officials who will be using the CSMS II.

Launching of the Fiscal Compliance Module of the CSMS II

Official launch ceremony, May 22 2013, Hilton Hotel, San Salvador

The CSMS II has been already been utilized to notify 19,000 taxpayers that showed inconsistent data. The CSMS introduces various options for contacting taxpayers, including (1) via phone; (2) via mail; (3) via e-mail. Taxpayers are then called to bring documentation and proof that helps clarify inconsistencies in their records. In a few months of operation, the CSMS II has supported collection of US$1.2 million in additional tax revenue.

The following table presents an overview of the total productivity of the CSMS in supporting tax audit activities at the DGII. The table presents the amount of collections by type of taxpayers and by regions. When cases are selected by the system, these are automatically assigned to an auditor who takes on the case and puts it in production. The table shows that the CSMS II has contributed to an overall 6 percent growth in tan audit collections from 2011 to 2012. It is expected that the development of new modules will further enhance the productivity of tax audits.

Table 3. Tax Audit Collections, by taxpayer type (2010 – May 2013) (in Millions of US$)

Audit Unit	2010	2011	2012	%Growth (2011-2012)	JAN-MAY 2013
Large Taxpayers	2,179	1,902	2,049	8%	1,067
Medium Taxpayers	201	733	717	-2%	341
Small Taxpayers	455	405	458	13%	260
Regional Office - West	104	295	311	5%	139
Regional Office - East	90	107	103	-4%	53
Unclassified Taxes *	43	44	47	5%	24
TOTAL	**3,072**	**3,487**	**3,685**	**6%**	**1,884**
***Unclassified taxes include: Immigration, Public Transport, First License Plate, INAZUCAR, Specific Tax for Drinkable Alcohol and FONAT.**					

Source: Case Selection Unit, DGII, El Salvador

During the second year, FPEMP initiated the development of the DGII audit module and the DGA audit sub-module of the CSMS II. FPEMP will incorporate a team from the MOF that will be following the development process, configuration, use cases corrections, and module testing. These are expected to be completed by the end of 2013 and FPEMP will begin the development of other modules.

OBJECTIVE 3: STRENGHTENED PRIVATE SECTOR OUTREACH

The third main objective of FPEMP assistance is to bridge differences and build consensus between the Government and the private sector. To this end, the GOES must be able to demonstrate its commitment to more efficient, effective, and transparent management of the country's fiscal affairs. There is a critical need to improve the public-private dialogue that provides a mechanism for fostering greater compliance and increasing tax revenues.

While the prospects for forging a national fiscal pact have dissipated, FPEMP adjusted assistance accordingly focusing on promoting fiscal transparency while implementing the strategic lines for fiscal transparency that were jointly agreed upon between the government and the private sector through a forum that FPEMP facilitated during the first year of assistance.

The second year of FPEMP assistance contributed to advancing the fiscal transparency portal initiative at the MOF; supporting fiscal education for youth through the EXPRESATE center; transforming the MOF training department into a center of excellence; and building a stronger administration through improved human resource utilization.

Critical milestones achieved during FPEMP's second year:

- Four data loading strategy modules developed for the Fiscal Transparency Portal: Expenditures, Revenue, Public Investment, and Public Debt.
- Launching of the tax awareness program for youth, EXPRESATE.

Key quantitative results achieved during FPEMP's second year of assistance:

- Three hundred fourteen (314) employee profiles assessed and updated applying the Competency Based Methodology.
- 85,606 was the number of visitors to the Fiscal Transparency Portal through January-May 2013.
- 797 is the total number of students who have visited the EXPRESATE program from March through May 2013.
- 13 is the number of MOF officials who have been trained on the new human resource plan based on competencies.
- 109 of people trained on the development of the curricula development.

Revamping the Fiscal Transparency Portal at the MOF

Following the passage of the Access to Public information Law in December 2011, efforts to promote fiscal transparency in El Salvador are underway. The GOES, through the President's Transparency Division, and the MOF, are committed to demonstrating greater fiscal transparency in the management of public resources.

During the first year of assistance, FPEMP and the EU, supported the development of 15 Strategic Lines for Fiscal Transparency (see Box 4). In the beginning of 2012, FPEMP brought together different segments of society to discuss the strategy for promoting fiscal transparency. The 15 strategic lines were then endorsed by the GOES, civil society, business associations,

Box 4. El Salvador's 15 Strategic Lines for Fiscal Transparency

On Public Financial Management:

1. Publish the Government's fiscal planning in the short, medium and long term through the Medium Term Macro Fiscal Framework and the Medium Term Expenditure frameworks.
2. Inform citizens about resource allocation and budget appropriations assigned within the results-based budget framework.
3. Present and publish a mid-year report and analysis of the Government's nonfinancial public sector financial status.
4. Publish the evolution of behavior in current spending, current transfers, wage assignments, personnel and contractors at the Ministry level and decentralized entity.
5. Publish an accountability report about compliance with austerity norms.
6. Publish a status report on public debt, liabilities and risks.
7. Advance with publishing financial statements that follow international standards.
8. Report on the Treasury's status through the Transparency Portal of the Ministry of Finance.
9. Public a report on the state of the municipal public finances.
10. Report on the fiscal costs that impact the tax system.
11. Report on the status of tax administration and management (collections, tax control, tax compliance, tax arrears collections as well as those from the Office of the Attorney General).
12. Communicate to citizens any improvements on tax simplification and reduction on compliance costs.
13. Facilitate access to information from the Purchase and Public Procurement System (COMPRASAL).

On Citizen's audits:

14. Create a mechanism to support the implementation of strategic investment projects, through which civil society actors can be involved in monitoring project implementation through open forums, while making recommendations that contribute to the effective and efficient execution of the work.

On Improvements to the Fiscal Transparency Portal:

15. Expand coverage and functionality of information available through the Fiscal Transparency Portal.

universities, professional associations, media, think tanks, government entities, Court of Auditors, non-government organizations, and multilateral agencies.

Based on the outcomes from the fiscal transparency forum held between the government and the public, in the second year of assistance FPEMP supported the government to begin implementing the strategic lines for fiscal transparency. Assistance in the second year integrates many of the requests for information from the public financial management strategic lines, which most come together and are presented through the Fiscal Transparency Portal. Additionally, and as part of promoting fiscal transparency, FPEMP supported the implementation of the tax awareness program for youth, EXPRESATE, which is described in more detail later in this chapter.

FPEMP's consultant Bruno Barletti—a key person in revamping Peru's Fiscal Transparency Portal—performed a detailed review of feedback obtained from the public (i.e. mostly think tanks, business associations, universities, and the media) during the forum held in 2012. Specific feedback was categorized into two groups: request for information to be made available; and visualization or presentation of this information. Each comment/feedback received was then taken into account when developing the modules to be developed for presentation in the MOF's Fiscal Transparency Portal.

During the second year, the FPEMP team assisted the MOF in developing the new strategy for data loading and incorporation of new dynamic data models for the fiscal transparency portal. The new data loading model includes the following modules:

1. Public Debt
2. Public Investment and Credit
3. Revenue
4. Expenditures and Budget Execution

Additionally, FPEMP delivered a technical document to the DINAFI with the specific steps to follow in the implementation of data models for the four modules mentioned above. During the third year, FPEMP will continue supporting improvements to the fiscal transparency portal, including the validation of the data loading models with each of the Directorates involved. Additionally, a web graphics design company will be hired to develop the new portal visual design.

Supporting Fiscal Education through the EXPRESATE project

The EXPRESATE center one of the GOES's strategies aimed at reaching high school students from the public and private sectors, creating tax awareness, promoting fiscal responsibility and tax compliance through the youth. The center is managed by the Fiscal Education Unit from the MOF DGII, which is in coordination with the Ministry of Education to schedule student's visits. The Fiscal Education Unit expects that around 1,500 high school students—between 15 and 20 years of age—will visit the center during the year. During the first year of assistance, FPEMP supported the development of the conceptual model and respective approvals.

During the second year, FPEMP supported the implementation of EXPRESATE. This involved many steps, including the remodeling of the area in order to create a facility that adapts to the objectives of the program. The EXPRESATE center was officially launched on March 21st, 2013. The center is a playful area where young visitors take a fun walk around six sections. Each section has its own specific goals intended to promote analysis, discernment and learning of the activities of the Salvadoran MOF. EXPRESATE also promotes the importance for understanding and participating in the country's development, linking the payment of taxes with the country's investments and economic growth.

The center uses an innovative and amusing approach focusing on the use of multimedia and other technological resources, such as a state-of-the-art computer lab (20 desktops and 2 laptops financed by FPEMP) to learn how to use the MOF Fiscal Transparency Portal and a preview on ‘how to file your taxes’. Additionally, students watch a video that depicts the history of taxes in El Salvador and the world. Another hall presents a museum to show preserved historic goods related to the fiscal activity of the MOF. The Hall of Evasion is a special area where students are exposed to the practice of evasion and the consequences of evasion, including poverty, illiteracy, sickness, lack of infrastructure, contraband, and other impediments to the country’s development and economic growth.

Tax Awareness Program for Youth – The EXPRESATE Center

Launched March 21, 2013; Has hosted 797 students through June 30th, 2013

On May 31st, 2013 the FPEMP staff performed a monitoring visit to the EXPRESATE center to monitor the activities of the program. During the visit students were interviewed to receive feedback on the activities of the center. Students were very pleased with the visit and stated that the center is an important tool to help them understand the importance of tax compliance, fiscal transparency, and government accountability. As of June 30th, 2013, after 3 months in operation, the EXPRESATE center had already hosted a total of 797 students (of which 446 were women).

Building a stronger administration through improved human resource utilization

The FPEMP program supports the MOF’s training department, and the public financial modernization reforms underway, through a program aimed at improving human resource utilization. The goal is to improve the operational efficiency and productivity of professional staff, strengthening their technical capacities, outlining a clear professional career path, improving employee’s performance evaluation, and providing capacity building and training for professional development.

During the first year, FPEMP supported the development of the conceptual model and implementation plan for improving human resource utilization through a new modernized Human Resource System. Assistance is based on a three step process that began during the second year and which will culminate at the end of the FPEMP’s assistance. The process follows the Competency Based Methodology for Human Resource Management. This methodology is used to integrate all human resources functions with the role of creating a central basis for recruitment and selection, placement of employees, training and development of employees, performance management, career management, promoting employees, and remuneration. The three steps include:

1. **Needs-assessment:** Since July 2012, FPEMP hired consultants to do an assessment of the MOF's technical area employee profiles. The FPEMP's team of consultants in this area began the work based on the 304 drafted employee profiles provided by the MOF. The employee profiles were analyzed and updated in workshops with the personnel within each functional unit in each MOF Directorate. In addition, the FPEMP team coordinated the work with the Human Resources Division and a counterpart team was created with one key staff member from each Directorate. The results were: 314 employee profiles assessed, technical gaps identified, and profiles were updated applying the Competency Based Methodology.

2. **Curricula design and development:** Once gaps were identified from the previous step, the FPEMP team supported the development of course curricula. For such purpose, FPEMP delivered training on curricula development to 13 officials from the MOF's Human Resources Department**.** The purpose of the training was for participants to understand the competency-based methodology and to be able to apply it in the future given that talent development and training is an ongoing process that must be addressed as a part of ongoing changes at the MOF. After completion of the assessment and update of the MOF technical area employee profiles, FPEMP supported the development of a curricula matrix, training modules, career training plan and a pilot for performance evaluation applying the Competency Based Methodology for each MOF Directorate. During the second year, each of the directorates involved supported the development of the curricula for their own directorate, including the DGII, DGA, DGP, DINAFI, National Procurement Office, DGCG, General Directorate for Public Investment and Credit, and General Directorate for Fiscal and Economic Policy. FPEMP technical areas experts in coordination with MOF personnel from the different technical areas, developed the curricula for each technical area and directorate. The curricula matrix, training modules, and career training plan were produced during workshops delivered for personnel of the different technical areas.

3. **Development of career plan, training plan of trainers and performance evaluation:** During the second year, FPEMP developed the career plan, and training plan of trainers and performance evaluation. Specialized personnel of each MOF Directorates were involved in the career plans and training plan formulation process. In total, 109 MOF personnel participated in the curricula development process, including 50 women. The career plan development is based on the competency model and follows the curricular matrix previously developed. FPEMP supported the development of five career plans for the following directorates: DGII, DGA, DGP, General Directorate for Public Investment, and DGCG. The next step is for a performance evaluation to take place in order to determine the gaps. A pilot performance evaluation was undertaken with the support of the FPEMP technical area profile consultants and the MOF Human Resources Department personnel in order to learn the methodology, and ultimately be able to apply it to all MOF personnel whose jobs are specific to the MOF. Additionally, FPEMP delivered a Training of trainers and training on performance evaluation to 35 officials, including 20 women.

4. **Change management initiative:** Given the anticipated changes in the work performed by the MOF according to the road map of the modernization process, it is important to develop a Change Management Strategy with the MOF Human Resources Department. The purpose of this initiative is to facilitate, within the MOF, acceptance and adoption of the upcoming changes, leading to improved competencies. This strategy covers all personnel, and will be implemented in collaboration with experts in emotional intelligence and capacity development.

Transforming the MOF Training Department into a Center of Excellence

FPEMP continued supporting activities for transforming the DFDMH, into a Center of Excellence. The DFDMH is an important vehicle for implementing all training related to the curricula development through the new Human Resource System.

In order to build the capacity of DFDMH staff, FPEMP delivered training on curricula development in order to facilitate the implementation of the MOF Human Resources System. A total of 13 people attended the training, of which 10 were women. The training was helpful in advancing understanding of participants on the competency-based methodology and its application.

Additionally, during the second year FPEMP supported the establishing of a state-of-the-art computer lab with capacity for 20 trainees. This includes the procurement of desks, chairs, computers, and audio and video sound systems. Additionally, FPEMP donated 140 chairs for all the other rooms.

FINDINGS AND RECOMMENDATIONS

An analysis of FPEMP's second year of assistance reveals that much progress has been achieved overcoming the challenges faced during the first year of the program. Once that hurdle was passed with the implementation of a coordination mechanism for donor assistance—when the MOF assigned DINAFI as the coordinator of donor assistance—tasks and activities implemented under each donor assistance program made a leap in the second year. The reform agenda is now well underway, enjoying a clear action plan providing guidance to both counterparts and donors involved in the process.

The first year of FPEMP's assistance provided important foundations—assessments, diagnostics, conceptual model development, and implementation plans proposal for the new public financial management system. The second year of the program delivered important output—many of which have already bared fruit—in terms of mobilizing greater tax revenues and improving the efficiency of government operations. As such, this second year evaluation report contains a number of quantitative and qualitative indicators that will continue to be monitored in subsequent years of the program's implementation. The program was designed with a four to five year horizon, and this second year marks the beginning of important base line data that helps monitor achievements and impact.

The major recommendation arising from the second year evaluation is for the FPEMP to strive to maintain continuity during the upcoming elections calendar. Because activities under FPEMP follow a donor coordination plan, any delays by any of the donors, the counterparts, or FPEMP itself, can have an impact on meeting the objectives of the program and the overall reform agenda of the government. While activities supporting the tax revenue mobilization component are less likely to suffer delays, activities under the public expenditure management component are at higher risk of delays—because of the number of donors involved, the various units and divisions involved, and the complexity for implementing such systems—which could affect the timing for advancing the budget modernization project and the achievement of a multi-year, budget formulation process based on results by 2015. The FPEMP team should continue to work in close coordination with the government counterparts and other donor assistance programs to ensure that the impetus already gained in the second year endures throughout the electoral period and beyond.

ANNEX 1. RESULTS MATRIX

Objective 1: Enhanced Public Expenditure Management

	Expected Result	Major Achievements	Delivered Project Outputs
a	Enhanced skills in budget formulation, monitoring and evaluation		As agreed with the MOF, FPEMP will provide training in this area to the GOES institutions that the MOF will assign by the end of the second year. Work in this area is jointly delivered with the GIZ.
b	Improved budget and policy analysis		Originally scheduled for the second year, this has now been scheduled to take place the third year.
c	Accounting and financial controls strengthened	IPSAS adoption versus harmonization. Implementation strategy plan for adoption of IPSAS is ongoing. .	1. Assessment of DGCG and chart of accounts. 2. Training on IPSAS to Directors and Deputy Directors of the DGP, DGCG, DGT, DINAFI and DGICP. 3. Roadmap and timeline for implementation of IPSAS. 4. Study tour to Peru to learn about IPSAS implementation
d	Operational multi-year ROB knowledge and applications throughout the GOES		1. FPEMP and GIZ worked on the budget modernization plan proposed to the DGP. GIZ will develop the new programmatic budget, medium term expenditure framework and institutional framework, and ROB methodology and manuals while FPEMP will support the implementation of the system in 12 GOES entities in the second and third year. 2. In the second year, FPEMP developed a proposal for the functional and administrative organization of the Budget Department, already endorsed by the DGP.
e	Improved efficiency of the Treasury to program and manage government funds	3 government institutions already operating under the TSA, 20 more will join by the end of 2013.	Since November 2012, the DGT is operating under the new real-time gross settlement system—a real time payment system—contributing to modernizing cash flow management and payment transactions of government obligations. The vendor payment transaction time has been reduced from an average of 10 days to approximately 2-3 hours. As of May 2013, three institutions are already operating under the treasury single account system, including: (1) Ministry of Finance; (2) the Civil Service Court; and (3) the National Judiciary Council. An additional 20 institutions are expected to join the system by the end of 2013. Additionally, FPEMP delivered an study tour to Argentina to learn about the TSA, among the attendants was the Vice Ministry of Revenue.

f	A modernized, integrated SAFI enabling consistent budget formulation, execution, and M&E processes across all spending agencies	Budget formulation use cases being developed. Next step: Development of modules.	1. Development of the conceptual model for the new budget and financial management system—presenting an integral platform for the modernization of the entire budget process, and strengthening the institutional capacity of the agencies involved for implementing a results-based budgeting system. 2. The new SAFI II brings together various functions including: budgeting formulation, treasury, public investment, budget execution and accountability, procurement, human resources, asset management. 2. FPEMP assisted in the second year in the design of the SAFI II's budget formulation modules, developing use cases, which form the basis for the subsequent steps in the development of these modules.

Objective 2: Improved Revenue Mobilization

	Expected Result	**Major Achievements**	**Delivered Project Outputs**
a	Improved tax revenue mobilization	14.4% Tax-to-GDP ratio in 2012. Goal: 16% by 2015.	Tax (net) revenue collections augmented by 20 percent from 2010-12. Relative to GDP, tax revenue increased from 13.5 percent in 2010 to 14.4 percent by the end of 2012, that is almost a one percentage point increase relative to GDP since the beginning of the program.
B	Sound, coherent tax policy	DGII's Tax Analysis Unit is able to perform analysis on tax benchmarking with minimal donor assistance (a legacy of TPAR).	Updated tax benchmarking study which provides an analysis of the tax structure, performance of the tax system in terms of collections, compliance, evasion and productivity comparing its progress from year to year, and comparing it to other countries in the region.
C	Consistent, clean and up-to-date taxpayer records	- 54% current account cleansing completed - 28% of taxpayer records verified	1. Successfully upgraded additional functionalities in the Current Account and Taxpayer Registry system applications. 2. As of June 2013, the taxpayer current account initiative completed the cleansing of 11,600 taxpayer records, 54 percent of the total records that need verification. Similarly, the taxpayer registry initiative completed the cleansing of 3,300 taxpayer records, nearly 28 percent of the total number of records to be verified.

D	Targeted audits and improved tax enforcement	- Launch of new, redefined Large Taxpayers Office - Launch of new Fiscal Compliance Module under CSMSII ($1.2 million in additional tax revenue in 2013)	1. The new Large Taxpayers Front and Office back office is in charge of serving large taxpayers on issues related to audits and tax enforcement. 2. The newly launched Fiscal Compliance Module of the new CSMS II contributed to mobilizing $1.2 million in additional tax revenue in 2013. 3. The CSMS II platform overall supports more than $3,500 million in tax revenue collections annually.
E	Greater fiscal compliance	- Treasury Collections Call Center is fully functional, collected $3.5 million in additional tax revenue from tax arrears. - 5,521 is the number of additional VAT taxpayers added in 2012-13.	1. Established a Collections Call Center at the Treasury for collecting tax arrears. Established in August 2012 and after only 9 months of operations, the Treasury Call Center had helped mobilize an additional $3.4 million from tax arrears and income tax resolutions, compared to the previous year. Total collection from tax arrears—through May 2013—is $20.2 million. 2. Trained 1,197 persons on new fiscal reforms to facilitate greater understanding and compliance, 93% of persons trained are taxpayers. The number of active taxpayers complying with the VAT increased by 3.6 percent, from 154,681 taxpayers in May 2012 to 60,202 taxpayers in May 2013. The increase in VAT taxpayers by 5, 521 is attributed to the numerous campaigns, fiscal education programs, and dissemination initiatives of 2009 fiscal reform, all of which FPEMP has supported. 3. FPEMP delivered an study tour to Ecuador to learn about transfer pricing audits techniques.
F	Improved taxpayer services	Six self-service kiosks available at DGII central and regional locations	1. Implementation of new, redefined Large taxpayers Office--front office which provides taxpayer services to taxpayers in this category. 2. Launching of 6 self-service kiosks providing automated, real time basic services to medium and small taxpayers.

Objective 3: Strengthened Private Sector Outreach

	Expected Result	Major Achievements	Delivered Project Outputs
a	Enhanced Communication mechanisms between the GOES and non-governmental sector	A total of 45 private sector actors attended forum on fiscal matters.	1. Facilitated forum between the GOES and non-governmental sectors. 2. Development and design of EXPRESATE program, a new platform for fiscal education to youth and civil society outreach on fiscal matters.
b	Private sector better understanding and complying with newly enacted fiscal reforms	Training outcome in terms of assistance surpassed expectations.	1. Training on new fiscal reforms delivered to 1,114 taxpayers. 2. 5,521 is the number of additional VAT taxpayers added in 2012-13.
c	Better monitoring of public expenditures through public sector and civil society partnership programs	- Mutual agreement between public sector and civil society on 15 Fiscal Transparency Strategic Lines. - Open Budget Index score up from 28 in 2006 to 43 in 2012	1. Development of 15 Fiscal Transparency Strategic Lines agreed by the private sector on 3 main areas: public financial management, citizen audit and transparency portal. 2. Revamping of the MOF's fiscal transparency portal and new design to underway.
d	Functional state of the art in-house training program for MOF personnel	- Launch of the new MOF training department, "Ministry of Finance Training and human Talent Development Department" (DFD-MH). - Implementing new Competency Based Methodology for Human Resource Management	1. Assessment, evaluation and design of new MOF's training center. 2. Improving human resource utilization through Competency Based Methodology for Human Resource Management, integrating all human resources functions—recruitment and selection, placement of employees, training and development of employees, performance management, career management, promotions, and remuneration. 3. FPEMP also supports a change management strategy—to facilitate acceptance and adoption of the upcoming changes, leading to improved competencies. 4. Trained personnel on curricula development, facilitating the implementation of the new MOF’s Human Resources System.

ANNEX 2. Selected Economic and Fiscal Indicators

Table A.1 Selected Economic Indicators					Prel.	Projections	
	2008	2009	2010	2011	2012	2013	2014
Income and Prices	(Annual percentage change, unless otherwise stated)						
Real GDP	1.3	(3.1)	1.4	2.0	1.6	1.6	1.6
Consumer prices	5.5	0.1	2.1	5.1	0.8	2.3	2.6
GDP deflator	5.3	(0.5)	2.3	5.7	1.5	1.7	2.4
External Sector	(Percent of GDP, unless otherwise stated)						
Current account balance	(7.1)	(1.5)	(2.7)	(4.6)	(5.3)	(5.0)	(4.8)
Trade balance	(21.8)	(15.0)	(16.5)	(18.4)	(18.7)	(19.1)	(19.1)
Foreign direct investment	3.8	1.8	0.5	1.7	2.2	1.0	1.1
Non-Financial Public Sector							
Overall balance	(3.2)	(5.7)	(4.3)	(3.9)	(3.9)	(3.9)	(3.8)
Primary balance	(0.8)	(3.1)	(1.9)	(1.7)	(1.6)	(1.4)	(1.3)
of which: Tax Revenue	13.5	12.6	13.5	13.8	14.4	15.3	15.5
Public sector debt 1/2/	42.5	51.0	52.2	52.3	54.3	56.4	58.0
National Savings and Investment							
Gross domestic investment	15.2	13.4	13.3	14.4	14.6	14.6	14.6
Public sector	2.4	2.2	2.4	2.5	2.9	2.9	2.9
Private sector	12.8	11.2	10.9	11.9	11.7	11.7	11.8
National savings	8.1	11.9	10.6	9.8	9.3	9.5	9.8
Public sector	(0.4)	(3.1)	(1.9)	(2.0)	(1.2)	(0.8)	(0.5)
Private sector	8.4	15.0	12.5	11.7	10.5	10.4	10.3
Nominal GDP (bill. Of US dollars)	21.4	20.7	21.4	23.1	23.8	24.6	25.6

Sources: Central Reserve Bank of El Salvador, Ministry of Finance and IMF estimates.

1/ Includes gross debt of the NFPS and external debt of the central bank.

2/ Excludes sovereign debt placed in Nov. 2012 (3.25 % of GDP) to pre-finance amortizations of short-term debt in 2013

TableA.2 Key Fiscal Indicators					Prel.	Projections	
	2008	2009	2010	2011	2012	2013	2014
	(In mill. of US dollars)						
Revenue and Grants	**3,732**	**3,399**	**3,802**	**4,219**	**4,507**	**4,792**	**5,025**
Current revenue	3,679	3,290	3,638	4,005	4,329	4,724	4,975
Tax Revenue	2,886	2,609	2,882	3,192	3,434	3,773	3,974
Non tax revenue	619	573	651	644	734	783	828
Operating surplus of the public enterprises	174	108	105	169	162	167	174
Official grants	53	109	164	214	178	68	49
Expenditure	**4,415**	**4,571**	**4,721**	**5,127**	**5,427**	**5,754**	**5,996**
Current expenditure	3,754	3,929	4,044	4,459	4,609	4,925	5,133
Wages and salaries 1/	1,528	1,659	1,710	1,928	2,000	2,161	2,248
Goods and services 1/	823	874	944	932	940	980	1,020
Interest	520	531	508	518	540	608	642
Current transfers	884	865	883	1,081	1,128	1,176	1,223
Non-pension payments	425	495	525	675	709	742	772
Pension payments	458	370	357	406	419	433	451
Capital Expenditure	661	642	677	668	818	829	862
Primary Balance	**(164)**	**(642)**	**(411)**	**(390)**	**(379)**	**(353)**	**(329)**
Overall Balance	**(683)**	**(1,173)**	**(919)**	**(908)**	**(919)**	**(962)**	**(971)**

Sources: Central Reserve Bank of El Salvador, Ministry of Finance, and IMF staff estimates.
1/ In 2011, the cost of formerly contractual staff in education (US$73 million) was reclassified from services into wages.

TableA.3 Tax Revenue, El Salvador (2004 – 2013)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	Jan-Mar 2013	Proj. 2013
(in Millions of US dollars)											
Gross Tax Revenue	1,925	2,229	2,574	2,877	3,089	2,836	3,072	3,487	3,685	922	4,099
Net Tax Revenue	**1,819**	**2,132**	**2,488**	**2,724**	**2,886**	**2,609**	**2,883**	**3,193**	**3,434**	**922**	**4,099**
VAT	952	1,104	1,308	1,389	1,461	1,251	1,433	1,574	1,677	471	2,058
Income Tax	534	668	788	933	1,004	949	996	1,127	1,250	324	1,513
Custom Duties	174	181	200	203	179	138	151	167	180	46	185
Excises	77	95	97	98	96	100	120	140	146	35	158
Other taxes and fees	16	17	19	22	38	61	72	72	65	17	69
Special Contributions	67	67	76	78	108	111	111	112	116	30	116
(in percent of GDP)											
Gross Tax Revenue	12.2	13.0	13.9	14.3	14.4	13.7	14.3	15.1	15.5	3.7	16.4
Net Tax Revenue	**11.5**	**12.5**	**13.4**	**13.6**	**13.5**	**12.6**	**13.5**	**13.8**	**14.4**	**3.7**	**16.4**
VAT	6.0	6.5	7.0	6.9	6.8	6.1	6.7	6.8	7.1	1.9	8.2
Income Tax	3.4	3.9	4.2	4.6	4.7	4.6	4.7	4.9	5.3	1.3	6.1
Custom Duties	1.1	1.1	1.1	1.0	0.8	0.7	0.7	0.7	0.8	0.2	0.7
Excises	0.5	0.6	0.5	0.5	0.4	0.5	0.6	0.6	0.6	0.1	0.6
Other taxes and fees	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.1	0.3
Special Contributions	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.1	0.5
GDP (Current)	15,798	17,094	18,551	20,105	21,431	20,661	21,418	23,095	23,787	24,948	24,948

Source: General Directorate of Internal Revenue, El Salvador. GDP for 2013 is a projection of the BCR. Other taxes include property transfers, migration and tourism, incoming long distance phone calls, and vehicle registration. Special Contributions include: FOVIAL, Sugar, tourism, and public transport.

ANNEX 3. LIST OF PERSONS INTERVIEWED

A. USAID

1. Mr. Martin Schulz, COR, USAID El Salvador

B. GOVERNMENT OF EL SALVADOR, MINISTRY OF FINANCE

2. Mr. Roberto Jesus Solórzano, Vice-Minister of Finance
3. Mr. Rene Guardado, Vice-Minister of Revenue
4. Mr. Guillermo Alfredo Posada Sánchez, Director of the MOF General Administration Directorate
5. Ms. Dinora Margarita Cubias Umaña, Director of DINAFI
6. Ms. Lilena Guadalupe Martínez de Soto, Deputy Director of DINAFI
7. Mr. Juan Murillo, Director of DGT
8. Mr. José Lino Trujillo Barahona, Deputy Director of DGT
9. Mr. Carlos Gustavo Salazar Alvarado, Director of DGP
10. Mr. Inmar Rolando Reyes, Director, Director of DGCG
11. Mr. Humberto Barrera Salinas, Deputy Director of DGCG
12. Mr. Carlos Alfredo Cativo Sandoval, Director of DGII
13. Mr. Ramon A. Perez, Deputy Director of DGII
14. Mr. Jorge Luis Martinez Bonilla, Deputy Director of the Large Taxpayer Office, DGII
15. Mr. Carlos Martinez, Chief of Strategic Planning Unit, DGII
16. Mr. Raul Anaya, , Chief of Tax Obligations Control Division, DGII
17. Ms. Carmen Maria de Mancia, Chief of Registry and Taxpayer Assistance Division, DGII
18. Mr. Luis Conde, Chief of IT Unit, DGII
19. Mr. Luis Canjura, Director of Tax Analysis Unit, DGII
20. Mr. Jeremias Aguilar, Chief of Case Selection Unit, DGII

C. FPEMP

21. Mr. Enrique Giraldo, Chief of Party and Tax revenue Mobilization Component Lead
22. Mr. Victor Cardenas, Deputy Chief of Party and Public Expenditure Management Component Lead
23. Ms. Fressia Cerna, Private Sector Outreach Component Lead
24. Mr. Renato Bonilla, Information Technology Manager
25. Mr. Cesar Sagastume, Monitoring and Evaluation Specialist
26. Ms. Marielos Leon, Finance and Administration Manager
27. Ms. Sandra Urazan, FPEMP Consultant, Lead of Taxpayer Registry and Current Account Initiatives
28. Carlos Alfaro, FPEMP Consultant, Human Resources Utilization Improvement
29. Mario Rivas, FPEMP Consultant, Human Resource Utilization Improvement

ANNEX 4. LIST OF DOCUMENTS REVIEWED AND OTHER SOURCES

1. Partnership for Growth, El Salvador – United States, Joint Country Action Plan 2011 – 2015, November 2011.
2. Ministry of Finance of El Salvador, Accountability Report (*Informe de Rendición de Cuentas*), June 2012 – May 2013.
3. El Salvador: 2013 Article IV Consultation, Country Report No. 13/132, IMF May 22, 2013.
4. FUSADES, Departamento de Estudios Económicos y Sociales DEES, Informe de Coyuntura Económica, 2do. trimestre, Abril - Junio 2013.
5. International Budget Partnership, Open Budget Survey 2012.
6. USAID FPEMP, First Year Annual Work Plan, 2011-2012.
7. USAID FPEMP, Second Year Annual Work Plan, 2012-2013.
8. USAID FPEMP, Monthly Progress Reports, June 2012 – June 2013.
9. USAID, FPEMP, Monitoring and Evaluation Plan.
10. USAID FPEMP, First Year Evaluation Report, June 20111- June 2012.
11. USAID FPEMP, Marco Conceptual Contable para el Sector Publico Contable de El Salvador, Mayo 2013.
12. USAID FPEMP, Propuesta de Reorganización de la Dirección General de Presupuesto, Junio 2013.
13. USAID FPEMP, Modelo Conceptual del Subsistema de Tesorería, Noviembre 2012.
14. USAID FPEMP, Recomendaciones en Materia de Reforma Administrativa Funcional de la DGT y Reporte Misión de Seguimiento CUT, Noviembre 2012.
15. USAID FPEMP, Análisis de Brechas entre los Planes de Formación del Ministerio de Hacienda y Formulación de los Planes de Carrera, Mayo 2013.
16. USAID FPEMP, Fase 1 – Modelado de datos para el Portal de Transparencia Fiscal de El Salvador, Mayo 2013.